



A family at war

The fight over the Wagner legacy



The \$150bn question

Can chip producers satisfy demand?



The lobster mountain

MA ELL A year in the life of club class travel



On their marks

US newspapers race to go online

FINANCIAL TIMES

Viacom poised to sell Madison Square Garden for \$1.1bn

Europe's Business Newspaper

US entertainment group Viacom was last night poised to sell its Madison Square Garden unit to Cablevision and ITT for almost \$1.1bn. The bid by the Long Island-based cable company and the finan-cial services and hotels group reportedly topped a \$1bn rival bid said to have been offered by Liberty Media, another cable company.

Viacom acquired MSG when it hought Paramount Communications for \$10bn earlier this year. It has since been trying to sell the unit — which includes the Manhattan arena and a cable television sports channel – to help offset the \$9on debt it took on to

T&N in talks with Metaligeselischaft: UK engineering group T&N is believed to be talking to Metallgesellschaft about the potential acquisition of the troubled German giant's 47 per cent stake in vehicle components maker Kolbenschmidt. Page 16

Balladur tops polls: French prime minister Edouard Balladur has the highest approval rating of any French premier for 24 years, an opinion poll

Anglo-American Corporation, South Africa's largest group, hopes to merge with a European foods company following its \$240m acquisition of Del Monte Foods International in 1992. If the European move goes ahead it will double DMFT's annual turnover to £1bn. Page 15

Russia backs gold market plan: The Russian government is encouraging plans to create a domes-tic securities market for gold bullion. The aim is to establish an internal price for gold and raise capital to develop the industry. Page 15

Kohl hits the campaign trail: German chancellor Helmut Kohl launched his campaign for October's general election, presenting himself and his Christian Democrats as the only guarantors of a secure future for Germany. Page 14; Kohl defence pledge, Page 2; Editorial Comment, Page 13

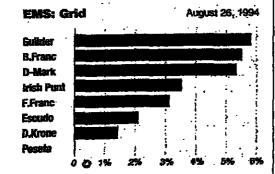
Mandela told to rest: South African president Nelson Mandela has been ordered to rest. He had a cataract operation last month and foreign minister Alfred Nzo said Mr Mandela needed to rest for his eye to heal property.

China accused over transplants:

International human rights group Human Rights Watch/Asia accused China of using organs from executed convicts for transplants without their consent and said some prisoners were kept alive until their organs had been removed.

Morocco and Algeria tense: Algeria closed its border with Morocco after Rabat said it would a fresh blow to hopes of uniting Algeria, Morocco, Libya, Tunisia and Mauritania into a common

European Monetary System: The Dutch guilder stayed on top of the EMS grid last week, while the Belgian franc caught up with the D-Mark. The Irish punt moved above the French franc and the Portuguese escudo kept its place despite a 50 basis point cut in interest rates on Friday. The spread between strongest and weakest currency shrunk slightly. Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

China launches satellite: A Chinese rocket launched an A\$200m (US\$150m) Australian telecoms satellite into orbit. Twenty months earlier, a predecessor had been destroyed in a failed launch in

Khmer hostages 'still alive': Three western hostages - two Australians and one Briton - were alive and would be freed by their Khmer Rouge captors in south Cambodia if the government army stopped attacking their base, an official intermedi-

Egypt on the alert: Egypt has tightened security at hotels and tourist sites after Moslem militants warned foreigners to stay away from a controver-sial UN population conference which is expected to attract 20,000 participants.

Kenya sacks doctors: Kenya's government said it had sacked most of 3,000 public-sector doctors who in June began a pay and conditions strike that has virtually closed state hospitals. Strike leader Givan Ateka said the dismissal was illegal and he would contest it.

Kopek kaput: The kopek, Russia's smallest denomination coin, is to be withdrawn. The coin, introduced in 1704 and now rendered worthless by inflation, is officially valued at \$0.0000046.

Schumacher disqualified: Belgian Grand Prix officials disqualified Germany's Michael Schumacher because of a rule infringement, giving victory to Briton Damon Hill instead.

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China to slow reforms as Li Peng warns of unrest

By Tony Walker in Belling

China applied the brakes to its programme of economic liberalisation at the weekend, with pledges of financial assistance for alling state enterprises and calls for local government intervention to restrain prices.

Chinese newspapers gave prominent coverage to a speech in Beijing in which premier Li

ship and outlined a new strategy to deal with the problems of inflation and faltering state enterprises. The official China Daily newspaper reported that the government now intended to rescue" a number of ailing staterun companies in 18 cities.

The apparent shift in sentiment reflects increasing official concern about the risk of social ers who have either lost their jobs or are on reduced wages. About half of China's 10,000-

11,000 large to medium stateowned enterprises are reportedly running at a loss, and perhaps as many as a third are virtually bankrupt. For much of this year the government has talked about driving hopeless cases into bankruptcy, but it appears to have backed away from this threat. "A number of state-owned

enterprises are in difficulty and the real income of workers has dropped in enterprises with poor economic results," said Mr Li. Without a strong and highly efficient body of state-owned enterprises, there would be no socialism with Chinese character-

istics," he said.

Mr Li, in his speech to an enlarged state council, or cabinet, said fighting inflation would be the government's top priority

for the rest of this year. He urged localities to take "effective meadrive against food price rises, the main cause of the inflationary sures" to curb price rises, and to

enforce a price freeze. The state council last week ordered the freeze on costs of services such as transport and electricity following publication of July inflation figures which showed that urban retail prices jumped 24.2 per cent compared with the same period last year.

Beijing has also called for a

surge. Commodities are being released from government stockpiles to stabilise prices.
"Prices have risen too fast and

inflationary pressure is still too big," Mr Li said, "Basic facilities for agriculture are fragile, resulting in huge losses due to floods and drought."

Emerging investor, Page 19

European interest rate policies attacked

Vice-chairman of Fed urges cuts to boost employment

By George Graham in Jackson Hole, Wyoming

European central banks should cut interest rates to reduce unemployment, Mr Alan Blinder, the vice-chairman of the Federal Reserve Board, urged at the weekend in a stinging attack on European monetary policy.

At a conference of central bankers in Jackson Hole, Wyo-ming, Mr Blinder, who was appointed to his post by President Bill Clinton, singled out European central banks for criti-

"The job of a central bank is to push the employment rate up to its natural level, but no further. By that criterion, the US is, I

Strict jobs agendaPage 12

believe, extremely close to on target, and the European Union is, I believe, quite far from on target," he said

Mr Blinder's remarks sparked a clash with Mr Hans Tietmeyer, president of the German Bunde bank, who sharply rebuffed the criticism. Mr Tietmeyer said: "I regard the unemployment in western Germany as very largely being a structural problem. Monetary policy cannot be expected to make an active and direct contribution to a lasting reduction in memployment.

Mr Blinder's new colleagues at the Fed also appeared uncomfortable with the implication of a less than single-minded devotion to the battle against inflation.

However, while arguing that central banks could do nothing to influence the unemployment rate over the long term, Mr Blinder maintained that the purpose of monetary policy should extend beyond the need to reduce infla-

This position appeared to contradict remarks made on Friday by Mr Alan Greenspan, the Fed chairman, in a speech opening the conference, organised by the Federal Reserve Bank of Kansas

Although policymakers around the world agreed, said Mr Green-span, that persistently high lev-els of unemployment were costly, "any tendency to seek a bit of macro policy relief by pushing on the outer limits of m icy, risks longer-term financial instability".

Mr Greenspan warned that delay between a monetary policy change and its impact upon the economy was so long that attempts to forecast the economic consequences of interest rate changes were probably doomed

International monetary officials concurred that using unemployment as a target to guide interest rate policy was fraught with the danger of overheating the economy.

Mr Blinder's remarks may confirm fears of some financial market analysts worried that the Clinton administration might seek to tilt the Fed away from its hawkish line on inflation as seats on the Fed board fell vacant. However, any difference of opinion between the Clinton nominees and the Fed incumbents on the role of the central bank has not caused a rift over US mone-

tary policy. Mr Blinder, a Princeton University economist who served on the White House council of economic advisers before joining the Fed in June, believes the bank has done what was necessary to reduce unemployment in the US.



Cuba and US agree to refugee talks

in Washington

Cuba and the US are to hold talks on migration to address the Cuban refugee problem, the US announced at the weekend. However, the two countries will not discuss the Washington-imposed trade embargo on Cuba or the US ence at the Guantánamo Bay naval base in Cuba.

The talks, scheduled to take place in New York on Wednesday or Thursday, would "deal with issues related to the promotion of legal, orderly and safe migration", said Mr Michael McCurry, US State Department spokesmar

Mr Warren Christopher, US secretary of state, said yesterday: "We're going to talk with the Cubans on the one subject where we've got something to talk about, and that is migration... On other subjects, we really don't have very much to say to Castro."

President Fidel Castro last week called for comprehensive talks with the US administration. The US and Cuban governments have conducted periodic migration talks since 1984, covering issues such as hijacking, prevention of allen smuggling and the return of criminals. The

meeting this week is a resump- patrol turning a blind eye. that they would not get into the tion of those working-level discussions, State Department officials said.

Mr Castro followed the decision to discuss migration with an order, reported in Juventud Rebelde, the Havana newspaper, prohibiting the departure of unsafe boats and rafts carrying children.

The order may be interpreted as a tiny concession to the US, which has felt that the flood of Cuban refugees attempting to come to the US by boats or rafts in the last month has been made possible by Mr Castro's border

Meanwhile, stormy weather in the Straits of Florida continued to deter Cubans from attempting the crossing. The coastguard picked up 130 people on Saturday, but had found no further refugees by midday yesterday.

The dramatic fall in numbers

comes at the end of a month that

has seen 17,100 Cubans flee for

Administration officials yesterday acknowledged that the weather had contributed to the drop in numbers but said it was also an indication that Cubans were beginning to understand US if they fled by boat. Cubans were getting better information about how to emigrate legally to the US, officials said.

Mr Christopher said he believed it was a positive sign that more than 200 refugees being detained at the Guantánamo Bay base had asked to be returned to Cuba in the past few

Although the White House last weekend said a blockade was not out of the question. Mr Peter Tarnoff, US deputy secretary of state, said: "We are not contemplating a blockade."

Hopes rise of IRA ceasefire after Sinn Féin hints of peace

By Tim Coone in Dublin Speculation that the IRA may be

on the verge of calling a general ceasefire was mounting last night after Mr Gerry Adams, the president of Sinn Fein, the IRA's political wing, announced that the "essential ingredients" for an approach to peace "may now be

Mr Adams, in a joint communiqué issued in Northern Ireland with Mr John Hume, the leader of the nationalist Social Democratic Labour Party (SDLP), said that "significant progress" had been made towards the conditions necessary for a "peaceful and democratic accord". The statement, in which they said they were hopeful that the peace

process could be moved forward, came after a week of suggestions and hints that the IRA may be about to call an extended ceasefire in an attempt to put pressure on the British and Irish governments to make concessions over nossible peace talks.

They warned that: "In any new situation there is a heavy onus on the British government to respond positively, both in terms of the demilitarisation of the situation and in assisting the search for an agreed Ireland by encouraging the process of national rec-onciliation."

There is growing expectation that an extended IRA ceasefire will be announced during this week. Although most unlikely to be a declaration of a permanent

campaign, there are hopes in that it could mark the first step in de-escalating the conflict. London and Dublin would

almost certainly react to even ar extended ceasefire by saying it did not amount to a permanen cessation of violence and so did not justify allowing republican leaders into political talks on Northern Ireland's future.

Whitehall officials have been particularly heartened by the hard line recently taken on this issue by Mr Dick Spring, the Irish foreign minister.

But an open-ended ceasefire would put the two governments under intense pressure to make

Continued on Page 14

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Kohl pledge on defence spending

By Michael Lindemann in Bonn

Chancellor Helmut Kohl has assured anxious army commanders that years of defence cuts, which have dented morale and held up modernisation, have ended and that the armed forces budget will be increased slightly and will remain untouched over the

In an unusual secret meeting last Thursday with around 30 senior commanders of the Bundeswehr, the German armed forces, the chancellor promised that the military would receive DM47.9bn (£19.7bn) plus inflation over the next four years. This year's defence budget stood at DM47.5bn.

Further savings will also be available for new investments following a decision in July to shorten the length of military service from 12 months to 10 months and a planned reduction of the Bundeswehr to 340,000 men and women by the beginning of 1996.

The savings mean that 30 per cent of the defence budget will be given over to new investments, up from the present 22 per cent, a spokes-

The government initially released no details of the meeting with the army commanders so as to avoid the impression of a campaign stunt ahead of the October general elections, according to the Welt am Sonn-

The armed forces' morale has been battered in recent years, with cuts in defence spending coming just as the Bundeswehr integrated with the 170,000-strong Nationale Volksarmee, the armed forces of the former East German

A report by the armed forces ombudsman in March said officers and soldiers were bewildered by the political confusion surrounding the future of the Bundeswehr and were having to shout "bang bang" on military exercises because there was no money for the blank ammunition which is

The mood in the Bundeswehr was not improved by numerous reports of confusion in the upper echelons of the defence ministry and criticism by many senior commanders of Mr Volker Rühe, the defence minister, over the management of the spending cuts.

A defence budget of DM47.9bn was first mooted during talks in July when the decision was made to shorten national service. In 1990, the last year before extraordinary savings were needed to fund German reunification, the defence budget stood at

Mr Kohl's decision gives the defence ministry a sum with which it can continue its strategic planning for the next four years, a defence ministry



Chancellor Helmut Kohl addresses party members in Dortmund yesterday

Poles win easing of debt position

By Christopher Bobinski

More than 95 per cent of western commercial banks and other holders of \$13.2bn worth of Polish debt have agreed to a debt buy-back component in the country's debt reduction agreement, Mr Grzegorz Kolodko, the country's deputy premier and finance minister said at the weekend.

This means that the value of the debt reduction for Poland will increase to over 49 per cent from the 42-46 per cent originally mooted because more debt holders than expected have opted to sell back their paper to the Poles at 41 cents to the dollar.

Further details of the Bradystyle arrangement - so-called after a 1989 initiative by the then US Treasury secretary Nicholas Brady - are due to be revealed today by Mr Krzysztof Krowacki, the chief negotiator of the deal which is to be signed on September 13.

As late as mid-July the Poles were still a few percentage points short of the 95 per cent threshold legally required for the buy-back to go ahead. Some debt holders had been refusing to go along with the agreement, believing the terms too generous.

Failure to cross the 95 per cent threshold would have meant that the Poles could have only gone ahead with exchanging debt for par bonds and discount bonds which the deal values at 55 cents to the dollar and which have proved to be the most popular option chosen by the debt holders.

The agreement will initially cost the Poles over \$2bn, to be financed from foreign currency reserves and from loans from the International Monetary Fund and World Bank.

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By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russia's prime minister, has vowed the government will take a tough line on the problem of inter-enterprise debt, and he appeared to reject calls for the government to interene with state funding

In an interview with the Interfax news agency yesterday. Mr Chernomyrdin described debts between Russian companies as one of the most pressing issues facing the economy. But he indicated the government would not help ease the problem by injecting fresh credits into the economy.

Inter-enterprise debt has accumulated as companies have continued to supply each other with goods and services without securing payment. The failure of companies to pay their bills has led to a snowballing of the debt, paralysing the financial system. Estimates put the total level

of indebtedness at around Rbs90,000bn (£27bn at the market rate). The government has been under intense pressure from cash-starved companies to loosen its monetary policy and has partially relented by granting some cheap credits to the defence sector and heavy

warned this will only stimulate another surge of inflation. Mr Chernomyrdin said the

government was working on a package of measures to force debtors to use their hard currency funds to pay their debts. He also hinted the government would introduce greater powers of disclosure to find out the true financial state of particular enterprises.

He even suggested some branches of the economy should introduce price freezes to help alleviate the debt burden, echoing the views of Mr Alexander Shokhin, the eco-

Mr Chernomyrdin said the

industries had all reached an agreement not to raise their tariffs this year. "I think the next stage will be when they agree not to raise wages during the same period of time or, for instance, to keep them at the same level. This is a civilised over the world. I think we will get used to applying it."

Mr Chernomyrdin said federal intervention to resolve a similar problem in 1992 had been a serious mistake. "Enterprises can carry out mutual conciliation of debt at the regional level and within their

Kozyrev pressure on Serb leader

By Laura Silber in Belgrade

Mr Andrei Kozyrev, the Russian foreign minister, yesterday renewed efforts to further isolate the Bosnian Serbs by trying to persuade Serbian leaders to allow international supervision of their frontier with Bosnia in exchange for

The presidential ambitions of

Mr Edouard Balladur, the cen-

tre-right French prime minis

an opinion poll showing him with the highest approval rat-

ing of any French premier for

The poll, conducted by the

IFOP research consultancy for the Journal du Dimanche

newspaper, suggested that the

proportion of the French public

approving of Mr Balladur's per-

formance had risen to 63 per

ter, were boosted yesterday by

the easing of sanctions. At the same time - despite intense pressure from the Serbia proper - a No-vote was expected at the close of a two-day Rosnian Serb referendum on an international peace plan that would divide Bosnia roughly in half.

from 58 per cent a month ago.

lar Mr Balladur the highest

approval rating of any prime

ban-Delmas hit 66 per cent in November 1970. Mr Chaban-

Delmas, a centre-right reform-

ist who was premier under Mr

Georges Pompidou, saw his

popularity soar during a period

risen for different reasons. The

French economy is still in a

fragile state, although his

Mr Balladur's stature has

of frenetic growth.

This score gives the avuncu-

nister since Mr Jacques Cha-

Mr Kozyrev's mission to Belgrade is the first visit by a mber of the so-called contact group of negotiating nations since President Slobodan Milosevic of Serbia announced a trade embargo against his former Bosnian Serb protégés for rejecting the

has undoubtedly benefited

encouraging indicators. But

the main factor behind his

ascent is his success at playing

the role of de facto president

during Mr François Mitter-

surgery last month, Mr Mitter-

rand has withdrawn from pub-

Balladur in charge at a time

when the political agenda has

been dominated by foreign

issues which would usually be

lic life. His absence has left Mr

Since undergoing prostate

rand's recent illness.

from the recent stream of

Even in exchange for the easing of sanctions - most likely the opening of the airport in Belgrade and the lifting of a ban on international sports competition - Mr Milosevic so far has resisted the proposal to station international monitors on the border

French rate their prime minister highly

Algeria and Rwanda. Mr Balladur has thus been able to cast himself in a presidential mould. He has also been helped by the role played by Mr Charles Pasqua, his pugnacious interior minister, who has handled controversial issues such as the police crackdown on potential terrorists. As a result Mr Balladur's

such as the capture of the ter-

rorist Carlos and the crises in

popularity has soared way above that of Mr Jacques Chirac, the mayor of Paris who is fired by Mr Pompidou.

his chief competitor for the right-wing presidential ticket. "He is no longer prime minister, he is already a president," said the editorial of yesterday's Journal du Dimanche.

The presidential elections are only eight months away but Mr Balladur would do well to heed the fate of Mr Chaban-Delmas. He won his record approval rating on the eye of the first oil shock which sent the French economy into recession. His popularity plum-meted, and, worse still, he was

Brussels calls time for EU late-payers

cross Europe, recession

has seen companies

taking longer to pay

It argoes in a draft recommen-

ernments for their comments.

that businesses "hesitate to commit themselves to cross-

border trade because they are

worried about exaggerated pay-

ment periods, and it is widely believed that it is far more dif-

ficult to recover debts abroad than in the home country".

Mr Stan Mendham, head of

the Forum of Private Business, representing 22,500 small busi-nesses in the UK, argues that

late-payers are also hindering

recovery. Our economies are being held back from growing

out of recession, because peo-ple cannot get their bills paid

In an effort to ease the prob-

lem the Commission is propos-ing, after several years of con-sultation with businesses

across Europe, a package of measures which include:

a statutory right to interest

at commercial rates, and com-

pensation, for late payment;

a simplification and exten-

sion of court procedures to

 a statement of payment terms on invoices;
the disclosure in annual

accounts of a company's pay-

ment policies and performance;

allowing value added tax to

be paid only on payments

One step short of a directive,

Commission recommendation

does not require members'

approval. Brussels can simply

issue it, after consultation, on

the basis that it should be

acted on but is not legally

binding. However, the recom-

mendation is backed with the

threat of a directive if it has

brought no results within two

be carried through is uncer-

tain. There is a large and vocal

islation to curb late payments,

EU, the British government is

the firmest opponent of bind-

ing legislation. It recently con-

cluded an extensive consulta-

tive process with British

announced in its white paper on competitiveness that it

would not be introducing stat-

Pointing to fears that the

measure could make matters

worse for small companies -

deemed to be most at risk from

late payments - it argued that

larger companies would move

to protect themselves from

incurring interest charges by

seeking longer credit periods.

The result would be later pay-

ments from prompt customers

as well as from the not so

Within the EU, contractual

payment periods vary from an average of 20 days in Germany,

through 30 days in the UK, to

60 days in France and longer in

Italy. However, payments are

an average 18 days overdue in

Germany, 23 in the UK, 19 in

utory interest.

sses, followed by a ministerial review on late pay-ments policies. In May, it

lthough the UK has the

worst record for late

ayment within the

but it faces opposition.

Whether such a threat could

With less than three weeks suppliers, boosting their own cashflow at the expense of

quisb.

before Sweden's general election, the opposition Social Democratic party is set for a decisive victory over the reformist coalition led by the prime minister, Mr Carl Bildt, according to opinion polls.
A poll published yesterday in

Swedish

expects

victory

By Hugh Carnegy in Stockholm

opposition

the newspaper Svenska Dagbladet showed the Social Democrats strengthening their lead to 50.6 per cent compared to a similar poll in June, while the combined support for the four government parties slipped to 40 per cent from 40.8 per cent. Two other nationwide polls in the past week showed a sim-

ilar gap. The worst for the Social Democrats, in Dagens Nyheter on Friday, showed a small gain for the coalition, led by Mr Bildt's conservative Moderate party. But it still gave the Social Democrats 49.5 per cent support - enough to hold a majority in the Riksdag if repeated in the election on

The striking pattern in all the major polls has been the stability of the Social Democratic lead since the spring, with the party consistently polling around 50 per cent or

This has defied the hopes of Mr Bildt, who expected a strong swing towards the gov-ernment as the economy returned to growth after three years of recession. Instead. deepening concern over the perilous state of the public finances has created an atmosphere of economic crisis rather than recovery.

The Social Democrats have come under great pressure from financial markets, forcing them 10 days ago to detail a programme of tax cuts and savings to attack the budget deficit. But the electorate at large has so far apparently not shared the lack of confidence in the party's economic poli-

cies shown by the markets. The growing expectation is that the Social Democrats handed their worst defeat since the 1930s in the 1991 poll as the economy slid into recession will bounce back into government, which they dominated for most of the past 50 years.

Mr Bildt is now desperately attempting to win back the initiative by reminding voters of the Social Democrats' past failures, their commitment to an overblown public sector and their preference for tax increases. But most voters seem to be concerned to preserve rather than reform the cherished welfare state.

Such is the confidence of Ma Ingvar Carlsson, the Social Democratic leader and former prime minister, that he is retreating to the mountains for several days this week to plan for government. So far he has avoided Mr Bildt's challenge to meet him in a face-to-face television debate, perhaps the best chance left for the articulate prime minister to save his job.

ments, involces in the Union take an average of 66 days to be paid, with a quarter of businesses having to wait more than 90 days to be paid, says the Commission.

their business pariners. And despite tentative economic Whether punitive interest would lead to longer contracrecovery - and much piety about business ethics - late tual payment periods would payment is a prop that compadepend on the relative nies are proving slow to relinstrengths of buyer and seller in negotiating terms. But, says The European Commission Mr Bo Goranson, chief execubelieves late payments are hin-dering the development of the tive of Intrum Justitia, Europe's largest debt collection group, even if the result was single market and acting as a deterrent to cross-border trade. longer agreed payment periods. dation, now with member gov-

> Jenny Luesby on an issue the Commission impeding the

single market

with greater certainty and could budget, or increase

But the UK government is concerned about the danger of over-regulation. It is also doubtful about the Commission's assertion that payment periods and late payments are deterring trade, describing it as an assumption that has yet to be borne out by research. Even if true, there is little evidence from EU members that introducing statutory interest improves payment performance, it says, pointing to the lack of improvement in France, which introduced binding legislation on late payments 18 months ago.

But campaigners for legislation argue that the introduction of statutory interest in Sweden, for example, in the mid-1970s has seen a fall in late payments to an average of just

· Aire

. . .

UK Department of Trade and industry officials also argue that shaming companies into improving their record through pushing them to publish details is impractical. There is ample scope for companies to hide poor records through a few large payments at the end of the accounting year, they say. And the introduction of the sort of "foolproof" sampling used to assess government departments' performance would increase auditing costs far beyond what could be justified by the gains.

The debate is muddied by the existence of a sizeable, if hidden, band of beneficiaries from late payments, enjoying free loans.

However, in opposing legislation, Britain will be doing battle twice - within the EU, and within its business community. The government says that while a majority of businesses it consulted favoured legislation, there was no consensus.

The Commission, however, found during its consultations that businesses "think that the existing legal framework is not sufficiently dissuasive for bad payers". And last month, Intrum Justitia published a study showing that an over-whelming majority of businesses surveyed in the UK wanted statutory interest to combat late payments.

Even Britain's usually antiregulatory Institute of Directors has come out in favour of legislation after pressure from its members, many of them small businesses vulnerable to late payers. They want action, they say, because their cashflows and profits are suffering.

Immigrants fall victim to Greek-Albanian tensions James Whittington watches thousands of illegal workers, rounded up in Athens

and bused to the frontier, herded back over the mountains at Kakavia

their way up a narrow A their way up a narrow mountain pass in northwest Greece to a small border post on the frontier with Albania on the last leg of a six-hour journey from Athens.

The early morning peace was shattered as nearly 1,000 tired and confused Albanians were led by policemen from the buses to a padlocked border gate. Watched over by the Greek army, they spilled through the six-foot opening and past a sleepy Albanian guard. By the end of the day, over a thousand more had made the crossing, bringing the number of Albanians expelled by Greece as illegal immigrants since August 15 to more than

Most of the deportees have been rounded up in what is becoming one of the biggest purges of Albanian immigrants by the Greek authorities in modern times. It comes against a background of deteriorating relations between the two states which threatens to further destabilise the southern Balkans.

The deportees are mainly young more are expected to be deported.

men who, like hundreds of thousands of others, had sought employment as cheap labour in Greece. Nearly all entered the country illegallytrekking for days across the mountains that divide the two countries. With Albania's economy struggling to cast off the shackles of the former Communist regime, the money they send home has made an important contribution to the coun-

try's balance of payments. Last year, remittances from Albanians in Greece were around \$330m, compared to an estimated \$125m in visi-Now they are being sent back, car-

rying few personal possessions and complaining that furniture, rent deposits and bank savings had all been left behind. Landlords and employers in Greece have been asked to hand over all Albanian immigrants for screening, and many

Before he was picked up by the police, 29-year-old Kostmas had been living in Athens for four years and was soon to receive official residency papers. He worked as a labourer in a magazine depot and said he had been held in a detention camp for three days before being

"I knew that the police were searching for us but I thought I'd get away. This has ruined me. I have no job, no money and nowhere to go. All I can do is wait for the present problems to die down and then return to Greece," he said before hitch-hicking to Tirana, the Albanian capital.

Normally, the Greek authorities send only a hundred or so illegal immigrants back to Albania every week. But since the opening of a court case in Tirana in which five members from the country's Greek minority are being tried on charges Greeks say there are up to 300,000. party of discrimination. Not only

of possession of weapons and espionage, the numbers have increased dramatically. The trial has ignited long-running

tensions between the two countries and revived claims by Tirana that Greece has territorial designs on south Albania, and by Athens that Albania is persecuting its Greek minority. Greece has complained that the court case is a set-up and, besides the mass deportations, has blocked European Union aid to Albania worth Ecu35m (£28m) in an attempt to have the trial stopped. It has also rejected Thrana's offer of talks and threatened to step-up its military presence in the area until the government's treatment of the

minority improves. No-one knows the size of Albania's Greek minority. The Albanians claim there are about 90,000, out of a population of 3.4m; the

Most live in the south in an area which Greece still calls North Epirus. They are Greek in all but nationality, speaking Greek rather than Albanian and practising Greek Orthodoxy rather than Islam, which is the country's dominant faith.
Under the Communist regime

which collapsed between 1990 and 1991, the minority was repressed like the rest of the population. Religion was banned in 1967 and social progress was made only through the organs of the Communist party. Now, under a democratically elected government, they are demanding their own secondary schools and university education in Greek along with full representation in the police, military and civil service. The Omonia political movement,

which promotes their rights as a minority with funding from Greece, accuses the governing Democratic

have the Albanian authorities turned down all requests for new Greek schools, but they have forbid-den the use of Greek in church services. The Athens government has jumped on this and warned if was preparing measures to protect the minority. "Greece is ready to defend all its interests and at the same time protect, with all its means, the Greeks in Albania," Mr Andress Papandreou, the prime minister, said last week.

Quite how far Greece is willing to go to back this statement up is unknown. Today in Tirans, the prosecution is due to sum up its case against the five men, all of them members of Omonia. It is expected to accuse them of encouraging separatist designs for the Greek minority, possession of weapons, and receiving support and funds from the Greek intelligence services. A guilty verdict is expected at the end of the week.

In the meantime, bus loads of Albanians continue to arrive at border posts and nationalist tensions inthe region continue to grow.

Unemployment is mostly structural and therefore not their problem, George Graham hears in Jackson Hole, Wyoming

Bankers gather to worship the new orthodoxy

eral Reserve Bank of Kansas City in the shadow of the Grand Teton mountains to discuss unemployment, and came away with a reassuring message: it is not their

A bevy of academic economists agreed that most of the high unemployment rates in industrialised countries was attributable to structural factors - principally, the way the welfare state distorts an unemployed person's incentive to work and not to the cyclical, demand factors which are within a central

bank's power to influence. Heads nodded piously in the audience as Professor Paul Krugman of Stanford University said that it was now all but universally accepted

Jami Lucia

tries gathered this weekend still suspect to politicians and jourat the invitation of the Fed nalists, that there was a "natural" rate of unemployment. A central bank could expand demand and push the actual rate of unemployment below this level, but only at the expense of accelerating inflation.

Professor Krugman argued that

there was a technology-driven trend towards inequality that Europe's generous welfare systems turned into lower employment and the US's more flexible labour markets allowed to pass into widening

Although Professor Charles Bean of the London School of Economics argued that a central bank could actually help to lower this natural rate by allowing a slight degree of additional inflation to accompany

could influence only the short term rate of unemployment; in the long run, unemployment would tend to converge on its natural rate.

"Where employment is concerned, in the short run, macroeconomics is everything, and in the long run, macroeconomics is nothing," concluded Mr Alan Blinder, once an academic economist himself but now the new vice-chairman of the Fed-This is music to the ears of most

central bankers, who have long been defending themselves against the accusation that they are buying lower inflation at the expense of higher unemployment.

"I am very happy with this general theme of the long run absence of any trade-off between inflation and unemployment," said one senior Fed

there no unemployment/inflation trade off, but there are positive gains for employment from a low inflation environment."

The natural unemployment rate theory has precise implications for US monetary policy, for although Fed officials are not as precise in their estimate of this rate as Professor Edmund Phelps of Columbia University - who estimates it at around 6.45 per cent in 1993 - they concur that it is very close to the current US unemployment rate of 6.1 per

"Some people think we've passed it, some people think we have a little way to go. Very few people think we're very far from it," said Mr Hinder.

quarrel with someone who said 6, sudden, and hope that if we can but 5 is low and 7 is high," said

in the US has already shrunk to the point where any further decline could trigger pressure on wages and a rise in inflation, and so justifies the Fed's recent decision to raise interest rates - in the face of criticism from some Democratic members of Congress that this threatened to kill off the economic recovery

or the Clinton administration, which is not anxious to see excessive tightening of monetary policy, the Fed's certainty about the level of the natural unemploy-

"Our problem in the administra-

prove over the next two or three years that you can keep unemploy ment in the low 6s without accelerating inflation, then we can argue convincingly that the natural rate is lower," one administration econo-

For Europe, there is much less cer-tainty over where the natural rate lies, although most agree that it has risen substantially in the last decade. Nevertheless, it appears evident to US economists and policymakers, though not to all of their European counterparts, that at least some of current unemployment in the European Union - perhaps 2 or 3 percentage points - is cyclical in nature, and that central banks could ment by expanding demand.

NEWS IN BRIEF Morocco and Algeria border shut

in visa row Algeria and Morocco has erupted into a full-blown dis-pute over entry visas, with Algeria closing the border and newspapers on both sides trading insults, Reuter reports

from Rabat Moroccan newspapers said Morocco's decision to demand entry visas following the killing of two Spanish tourists during an armed robbery in the lobby of a luxury Moroc-can hotel was "legitimate selfdefence". Algeria accused Morocco of victimising individual Algerians.

Kenva sackings

Kenya's government said yesthe 3,000 public-sector doctors who began a strike in June hospitals, Reuter reports from Nairobi.

The letters gave doctors six weeks to appeal. Strike leader Givan Ateka said the dismissal was illegal and he doctors are on strike to press for registration of a union, higher salaries and housing health facilities.

Nigeria arrests

The military administrator of Nigeria's oil-producing Rivers state announced the arrest of saboteurs who tried to blow up pipelines and flow stations, state radio reported yesterday, Reuter reports from Lagos. A strike by ollworkers aimed at forcing the military government out of office enters its

Québec poll

Polls showed the senaratist Parti Québecois under Mr Jacques Parizeau maintaining an overall 4-5 point lead two weeks before the September 12 Quebec elections, and a 20 point lead among the Province's majority Francophone from Montreal.

America's fast trains are a long time coming

It is now accepted that the private sector alone will not build high-speed railways, says Richard Tomkins

warp when it comes to rail services, Chugging along at a maximum speed of 79 miles per hour, its passen-ger trains have been left behind by developments in rail technology. The Sunset Limited, a prestige transcontinen-tal service, takes three days to hurtle from Los Angeles to Miami, averaging 42 mph.

Just for a while, it seemed that the US might be ready to take a leap into the high-speed era. In Texas, a private sector consortium planned to link the state's biggest cities with a 200 mph system based on France's train à grande vitesse. The consortium had a franchise from the state government and a detailed financing plan. But 10 days ago the project collapsed

through lack of funds. Is that the end of the American flirtation with high-speed rail? Possibly not, Increasing strains on road and air transport have led to a proliferation of ideas for high-speed and magnetic levitation rail

The big problem any US rail project faces is that most Americans never take trains. Fuel is so cheap and car ownership so widespread that people use the roads for short-tomiddle distance journeys: Over longer distances, where rail carnot compete with air travel, In Texas, the competition

weighed even more heavily against the state's high-speed rail project because the cities it would have served - Dallas, San Antonio and Houston were linked not only by good roads, but by Southwest Airlines, one of the lowest-cost airlines in the US.

Speeding up trains on exist-ing lines might seem a cheaper solution but is not easily done. While US passenger trains are run by Amtrak, a public sector corporation, the rail tracks are owned by private sector freight railroads, so passenger trains

To be US exists in a time systems in the US. The diffi- slow-moving freight trains. culty is getting them off the drawing board.

And even when there is no freight train ahead, passenger freight train ahead, passenger trains cannot exceed 79 mph because of the technical limitations of the signalling systems.

A notable exception to this general rule is the north-east corridor between Washington, New York and Boston, where Amtrak runs the tracks as well as the trains. Here, it already runs the 125 mph Metroliner service. Soon, it plans to increase speeds to 150 mph by upgrading the tracks and buying new trains - possibly ones like Sweden's X2000 trains. which lean into bends.

In the rest of the US, however, entirely new rail systems will be needed. Paradoxically, these look more likely after the failure of the Texas project. This is because state and federal governments now accept that the private sector alone cannot build profitable high-speed railways. The most promising scheme

is in Florida, where the state government is preparing to



of a high-speed system linking Tampa, Orlando and Miami. Unlike the government of Texas, which barred public sector involvement in its high-speed scheme, Florida's

to pay up to 100 per cent of the constructions costs and cover up to 50 per cent of any operating deficit, if that is what it takes to get the system built... Finding the cash, however, is And planning the project will

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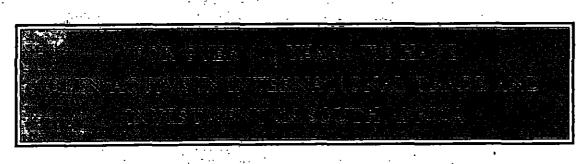
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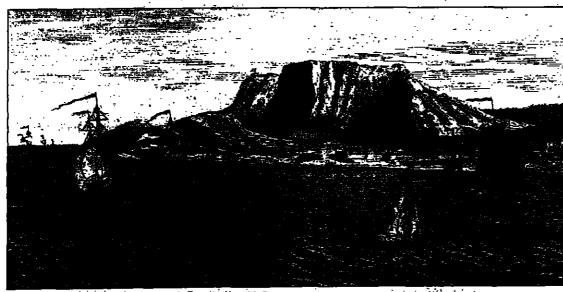
Barlous Equipment Company through its

No one is better equipped than PPC, the

department of transportation says any state contribution would be subject to the availability of funds, and it doesn't have the money right now.

railway is built at all, it is unlikely to be until well into the next century. Like US passenger trains today, it seems, high-speed rail is going to be a long time coming.





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Call for end to Iraq sanctions

Jordan and Turkey vesterday called for an end to United Nations sanctions against Iraq and urged its return to the international fold, AP reports from Amman.

In a joint press conference, King Hussein and visiting Turkish President Suleyman Demirel also said that stability brought by an Arab-Israeli settlement would lead to an increased co-operation between

their countries. On Iraq, Mr Demirel said: "We do believe that the sanctions should be lifted as soon as possible and then Iraq should return to the interna tional community.

"If Iraq continues to be iso-lated, its territorial integrity will be hard to maintain." he added at the end of a day of talks with King Hussein

"Certainly, we hope that we will see Iraq once again taking a vital role in this region," said ceived as pro-Iraqi because of his refusal to join a US-led coalition that expelled Iraq from Kuwait in 1991. The king advocated a diplomatic solu-tion to the crisis.

In sharp contrast, Ankara gave solid support to the coalition. But economic and politi-cal interests have led Turkey to renew ties with Iraq.

Ankara is the only non-Arab member of the coalition to have reopened its embassy in Baghdad. Dozens of Turkish businessmen have visited Baghdad and signed trade con-

Turkey and Iraq also have agreed to prepare an oil pipe-line to export Iraqi crude once the embargo against Iraq is lifted. Both countries are hoping to flush out 12m barrels of Iraqi crude stuck there after borders were closed during the Gulf crisis.

Mr Demirel said Turkey was negotiating with the UN some technical details, including who would receive the oil from the pipeline and how it could be sold off.

The president acknowledged that Turkish businessmen were making deals with the Iraqis, but emphasised that none of the contracts would be carried out until the sanctions were lifted.

Mr Demirel said Ankara, which is taking an increasingly influential role in the Middle East, was ready to take a share in regional development projects. He declined to elabo-

Turkey is actively involved in regional peace discussions on energy, the environment. economic co-operation and

Jordanian officials say Turkey, which has abundant water resources, could contribute to resolving water problems in parched nations like

Reduction in ministerial spending and workforce planned

Israel to cut spending and taxes

By David Horovitz

The Israeli cabinet was late last night expected to approve a Shk128.7bu (£27.5bu) budget for 1995, the central components of which include about a third of the total for debt repayment, 20 per cent for police and security, and 11 per cent for education. The budget provides for a

reduction of almost Shk800m in ministerial spending, a 2 per cent cut in the government workforce - eliminating 630 full-time positions - and an average 1 per cent reduction in public sector pay.

allocation of funds for the absorption of immigrants from the former Soviet Union (achieved by revising the estimate of immigrant arrivals for 1995 to 70,000 from a previous 80,000 figure), a 3 per cent rise in the prices of public transport and a 7 per cent increase in water charges to agriculture and industry. Mr Avraham Shochat, the finance minister, intends to use some of the extra monies freed to help pay off debts owed by the kibbutz movement, to provide much-

needed assistance to Israel's

near-bankrupt Kupat Holim

Clalit main health insurance

military industry.

Money is also budgeted to finance the redeployment of Israeli troops in the occupied territories, as anticipated in the coming phases of Israel's autonomy agreement with the Palestine Liberation Organisa-

The proposal features more than Shk2hn worth of tax cuts. including a reduced purchase tax on homes and lower taxes on electrical items.

A proposal to reduce government subsidies granted to companies investing in various designated development zones, strongly opposed by the Minis-

fund, and to boost the ailing try of Trade and Industry, was not discussed at yesterday's marathon cabinet session.

Instead, ministers will reconvene next week for another meeting devoted solely to economic issues. That meeting will focus mainly on means to halt rising prices, which are pushing inflation estimates for 1994 to 14 per cent and

While the budget was the main item of cabinet business yesterday, ministers also discussed the implications of Friday's murders in Ramle, central Israel, of two Jewish workers at a building site. The Hamas Islamic extremist group

on Saturday took responsibility for the attack, the first murder of Israeli civilians inside Israel since the Palestinian self-rule accord came into effect in May.

Prime Minister Yitzhak Rabin said Israel knew the identities of the murder susco-operation of the Palestinian police force in tracking down the men. Israeli officials said case," and that future phases of the peace deal might be put at risk if the Palestinians did

pects, and that he expected the this was regarded as a "test

Saudi gems theft linked to saga of assassination

Diplomat has issued ultimatum and linked Thai killings to palace theft, reports William Barnes

theft, assassination and A corruption on a grand scale that has shredded the reputation of the Thai police and zaused a bitter diplomatic row between Saudi Arabia and

In the latest twist to the fiveyear-old saga, Saudi Arabia said last week it believed the 1990 murders in Bangkok of three of its embassy staff and a Saudi businessman were linked to the theft of millions of dollars' worth of jewellery

from a Saudi palace.
"They were all killed because they had information about the jewellery," Saudi chargé d'af-faires Mohammed Said Khoja said last Friday, adding that detectives from his country had determined the link.

Mr Khoja, who directly accused Thai police of one of the killings, said he was due to discuss the issue with Thai Prime Minister Chuan Leekpai this week. "Frankly I am fed up and the government of Saudi Arabia cannot wait any longer," he said.

ace where he was employed.

A Thai servant initially stole \$20m (£12.9m) worth of jewellery in 1989 from a Saudi pal-

was arrested in early 1990 and later jailed. However much of the jewellery returned to Saudi Arabia was fake.

Shortly afterwards, the wife

of the director-general of police, General Sawat Amornwiwat, was pictured in the local press wearing a necklace remarkably similar to one of those stolen from the palace. But as the recriminations flew hitmen started killing Saudi diplomats. Between 1989 and 1990 three diplomats were

gunned down, apparently by professional killers. As relations between Thailand and Saudi Arabia spiral-led downwards, the Thai authorities claimed a number of contradictory and some-

times unlikely explanations for the murderous campaign. Religious zealots, drug dealers, business conflicts, Matiastyle gangsters and terrorists joined the parade of suspects.

But Saudi unhappiness reached its nadir with the revelation that a businessman close to the Saudi Royal family, Mr Mohammed Al-Ruwaily, who disappeared after the murder of the diplomats, was probably abducted by a group of

The police officer who led the investigation into the mur-der of the diplomats, Lt Col Somkid Boonthanom, was later accused of Mr Al-Ruwaily's murder, but the case was dropped in September 1993.

The links between the three cases - the theft, the embassy murders and the abduction remain obscure. No less than three narliamentary committees and two police committees were set up to look solely into the Saudi grievances. But even now, That inquiries have run into difficulties.

Mr Khoja, an urbane 60-year old diplomat, was posted to Bangkok three-and-shalf years ago either to wrap up the murder and theft cases or to close down the embassy.

The Saudis have stopped issuing work permits to Thai nationals, at an estimated cost to the economy of up to \$1bn a year in lost remittances.

Under the prime minister Mr Chuan Leekpai and a respected new police chief, Gen Pratin Santiprapop, some progress has eventually been made. But Thailand is still a long way from repairing relations with

Business irked by orders from on high

ust over a year ago, when Japan's Liberal Democratic party lost its hold on government for the first time in 38 years, it seemed that the iron triangle between politicians, bureaucrats and business might crumble with

The new, younger govern-ment that succeeded the LDP raised the banner of reform and offered corporate Japan the hope, along with the fear, of less government and bureaucratic meddling in corporate

But just as Japanese business was beginning to enjoy the idea of freedom, the LDP is back in the seat of government and a ministerial mandate on employment practices at Japan Air Lines has dropped like a bomb to demonstrate that old practices do indeed die hard. Earlier this month Mr Shi-zuka Kamei, an old-time LDP politician and current minister of transport, forced Japan Air Lines to reconsider plans to hire stewardesses on a

short-term contract basis. The plan, an attempt to cut costs, had already been approved by the very ministry Mr Kamei heads. Yet the min-ister put a halt to JAL's scheme, which other airlines had also been considering.

Mr Kamei cited safety concerns and the importance of lifetime employment, and suggested that such a move would upset Japan's much vaunted practice of harmony and equality in the workplace.

But business leaders, many of whom have expressed shock at Mr Kamei's handling of the affair, sense a more sinister motive. Japanese business executives have jumped on the minister's attempts to impose his views on what they believe should be a matter for private business to decide. The days of government meddling in business affairs, they fear, are far from over.

Mr Takeshi Nagano, chairman of the Nikkeiren, the Federation of Employers' Associa-tions, criticised the minister's actions sharply, triggering an unusually vitriolic exchange of insults between the two. The controversy is such that

opposition parties are preparing to grill the government on the issue when the Diet reconvenes next month. The degree of indignation expressed by normally discreet Japanese business leaders indicates that few of them accept Mr Kamei's argument that introducing contract workers

into a team of full-time staff would upset team harmony and jeopardise aircraft safety. For one thing, as JAL quietly points out, the Japanese airline has been employing foreign stewardesses on contracts at lower pay than Japanese staff for more than 20 years. Nobody has ever complained and a recent report by the Civil Avia-

tion Council recommends cost-

hiring of foreign that is, lower paid - staff. Secondly, if safety were a

serious concern, as Mr Kamel suggests, would this affect Japan Asia Airlines, which has already hired contract stewardses? But not a word of complaint has come from the transport ministry on that issue.

Neither is the sanctity of job security a convincing argument for business leaders, many painfully aware of the need to cut labour costs to remain competitive.

For a company like JAL to deny lifetime employment to its Japanese stewardesses, may come as a shock to the generations of women for whom the gorns ca

vational

. 4.18.

Japan's 'iron triangle' has developed a jarring note, writes Michiyo Nakamoto

airline stewardess was the epitome of modern, high-flying, career woman.

Yet nobody in Japan would claim that lifetime employment was ever taken for granted other than at the largest companies. The majority of Japanese employees have no guarantee of lifetime employ-

Instead, many see the minister's actions as a relic of the bad old days when politicians and bureaucrats could more or less impose their will on businesses in return for protection and a lucrative con-

As the opening up of Japan s markets to outside competition and the declining influence of the public sector have whittled away the benefits to business of this past relationship, government interference has become an inconvenience.

"The minister's actions go against the spirit of deregulation and of administrative reforms which are being implemented in October," said an official of Keidanren, Japan's most influential business organisation.

The high-handed approach of the transport minister is particularly unsettling to the Japanese business community, which has increasingly come to embrace the view that deregulation and freedom from the shackles of bureaucratic guidance are crucial to revitalising the country's economy.

Officials at telecommunications companies, for example, frequently complain that Japan's slow start in the race to build an information superhighway is largely the result of bureaucratic red tape that hinders growth of new bus-

Stage set for Manila development fight inson's chain of shopping malls

By José Galang in Manila

The stage is set for potentially the largest property development in the Philippines in a decade. It involves turning part of a former military camp on the east of the Philippine capital into a commercial and trading centre.

The 214-hectare property, part of Fort Bonifacio which

has been home to the Philinpine Army since the 1940s, will become a "new Makati (business district)," according to the **Bases Conversion Development** Authority (BCDA), the state agency in charge of the proj

US commerce secretary Ron Brown (centre) on the Great Wall of

China with officials yesterday. He is the first US cabinet member to visit China since President Bill Clinton severed the link

between China's human rights record and its trade status

Five groups responded to the starting gun last Friday for a selection process for BCDA's "strategic partner" for Fort

Bonifacio's development. The Pacific Group is co-lead inves-process will culminate in bid-tor, with Urban Bank, in process will culminate in bid-ding for the property next January.

From the five, a shorter list of qualifiers for the bidding will be known on September 9. Among the five is a consortium led by Ayala Land, the property arm of the widely diversified Ayala conglomerate which in the 1950s and 1960s pioneered the development of

The Philippine subsidiary of the Hong Kong-based First

another consortium that includes a number of big local property companies and banks. A provident fund for military personnel, the AFP Retirement Separation and Benefits System, leads another group.

A predominantly Filipino group among the prospective bidders is the Fil Estate/Penta-Capital consortium led by Fil-Estate Group. Another Filipino-led group is JG Summit Holdings, which owns the Rob-

in Manila. Under current plans, BCDA will auction 55 per cent hold-

ings in the Fort Bonifacio venture. Out of the property's 214 hectares, the partner will get 118 hectares.

At the bidding in January, the qualified groups will be asked to offer a per-square metre price for the parcel. At the minimum price of 10,000 pesos a sonare metre set hy BCDA, the block will yield at least 11.8bn pesos (£290.3m).

INTERNATIONAL PRESS REVIEW

Sharif adds heat to nuclear row

PAKISTAN By Farhan Bokhari

Pakistanis love to talk about

their country's controversial nuclear programme, even if the occasion is one where restraint or caution is advised. Last week, an admission by

Mr Nawaz Sharif, the former prime minister and the country's main opposition leader, that Pakistan had produced nuclear weapons, once again sparked a heated debate.

Politicians on both sides of the divide were concerned that on an issue which is as popular as the nuclear programme, they should neither be seen as weak or willing to compromise. The government took the

view that Mr Sharif's statement would threaten vital national interests, while the opposition in its defence argued that their leaders' "disclosure" had removed ambiguity surrounding the nuclear issue and would now deter India - Pakistan's arch enemy - from any "adventurous"

The charges and countercharges were enough to baffle many ordinary Pakistanis. But that could not be said about the Pakistani press. which by and large criticised

Mr Sharif's move, making use

of the latest opportunity to

write extensively about one of its favourite topics. "It's difficult to understand why the leader of the opposition, who is also a former ous difficulties for the country" declared the Jang, Pakistan's largest selling privately owned Urdu newspaper, which traditionally follows a liberal editorial policy.

The paper said that countries which are opposed to Pakistan's nuclear programme, would use the statement to

ambition, and it wouldn't be surprising if the bogey of Islamic bomb' is once again brought to the fore with renewed vigour". While arguing that Pakistan

quite a stir in quarters that

have traditionally been appre-

hensive of Pakistan's nuclear

has the sovereign right to



mobilise international opinion against Islamabad. "In Pakistan, a statement

full of gung he words on the country's nuclear programme sells like bot cakes," explained The News, another liberal paper, adding that the opposition leader was playing to the domestic public gallery.

It suggested that Mr Sharif had probably not considered Pakistan's strategic concerns in making the statement. Rather, like all out-of-power politicians, this was an effort on his part to attract public attention.

The Nation, a right-of-centre conservative paper, also joined the criticism . "It goes without Prime Minister, would take a saying that by letting the cat maintaining a "nuclear ambiv-position that could create seriout of the bag, he has created alence" because that leaves

determine the direction and the pace of its nuclear programme, the paper said the issue should not be dragged

Dawn - the country's largest selling liberal English newspaper, which has a large circulation among left-of-centre intellectuals, expressed similar views, but went at a greater length to discuss different aspects of the issue. "If there is anything in this country about which verbosity should be discouraged - even if it takes an act of parliament to do so - it

out in partisan politics.

is its nuclear programme." The newspaper argued that it was best for the country to continue with its practice of

Western anger at bay and keeps India guessing about the exact nature of the programme. In describing the policy of ambivalence, the paper wrote: "Although we have the capability to build a bomb, so goes the official line, we have chosen not to do so because we are not a warmongering

nation." Dawn also responded to speculation that the powerful Pakistani military may have given the go-ahead to the opposition ier. "We should credit our military with possessing more sense than that."

This is a blunder of Mr Sharif's own making and no one else is responsible for it. Instead of compounding his folly by going into all sorts of unbelievable explanations, he should think of tendering the nation whose interests he has damaged, an apology".

Despite the criticism, the often conservative and proopposition Nawa-i-Waqt, Pakistan's second largest Urdu paper, described the nuclear programme as a guarantee for peace and supported Mr Sharif's statement. In an editorial entitled

Atomic ability - guarantee for peace", the paper said the past two decades had seen both Pakistan and India refraining from war, since New Delhi conducted its first nuclear test in 1974, followed by Islamabad's decision to set up its own programme. The two countries would benefit from their nuclear deterrence, and the opposition had helped Pakistan towards that goal.

Pakistan loan fraud probes By Farhan Bokhari

The Pakistani government said at the weekend it had ordered investigations into the activities of officials at the country's two large public sector banks, following allegations that they were involved in fraudulent dealings related to loans worth up to Raibn (£21.1m) made during the rule of former prime minister Mr Nawaz Sharif.

Senator Mr Malik Qasim,

chairman of the government's federal anti corruption committee (FACC) amounced that Presidents of the Habib Bank Pakistan's largest bank and the National Bank of Pakistan, had been told to sue-

pend officials who violated the rules in sanctioning loans under the populist "self-employment scheme The scheme, Mr Sharif's brain-child, was meant to pro-vide unemployed youth with

up to Rs100,000 to set up small businesses. But officials say that in many cases the losses did not reach those they were designed for. "In many cases, the loans

were sanctioned to employed people and to those who were already running established businesses," said Mr Qanim. We want to know if this was a deliberate attempt to keep many people out, to favour near and dear ones, or only a case of a poorly managed plan," said one official.

Its not yet clear, if the investigation will set back plans for privatising large banks.



nursery addresses some of the problems facing people that can force them to thop down trees. Where hunger or poverty is the underlying cause

of deforestation, we can provide fruit trees. The villagers of Moganga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source. This is particularly valuable in the Impenetrable

sell the surplus fruit their nursery produces.

two hundred years to mature. The Markhania lotta trees planted by WWF and local villages can be harvested within five or six years of planting. Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply

Forest, Uganda, where indigenous hardwoods take

other species that are fast-growing and easily replaced. These aree nurseries are just part of the work we do with the people of the tropical forests. WWF sponsors students from developing countries on an agroforestry course at UPAZ University in

Costa Rica, where WWF provides technical advice on

growing vegetable and grain crops.

This unnecessary destruction can be prevented by

practices so that the same plot of land can be used to produce crops over and over again. In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four bectare plot. (Instead of clearing the usual ten hectares of forest.) WWF fieldworkers are now involved in over 100

combining modern techniques with traditional

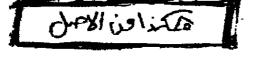
The idea behind all of this work is that the use of natural resources should be sustainable. WWF is calling for the rate of deforestation in the tropies to be halved by 1995, and for there to be no

tropical forest projects in 45 countries around the world.

ner deforestation by the end of the century. Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.

WWF World Wide Fund for Nature

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.



NEWS: UK

Row as PowerGen weighs US listing

British government ministers are angry with PowerGen, the electricity generator, for threatening to break ranks over the f4bn sale of the government's remaining shares in the generators.

The Treasury plans to co-ordinate the sale of its shares in the two generators, PowerGen and National Power, by publishing a prospectus early next year. This will link the sale of the two companies by requiring the public to buy shares in both.

PowerGen, which has outperformed National Power on the UK stock mar-ket, is considering seeking a US listing months ahead of the planned prospec-

The Treasury is concerned that infor-

ments facing the companies may have to be published ahead of schedule, tying its hands and making it harder for it to control events.

PowerGen's US investors account for 7.5 per cent of its shareholding comared with National Power's 5 per cent.
The generator said: "The timing of the US listing is not critical but we would prefer to see it in place a little ahead of the sale [of the government's remaining shares] to avoid unnecessary complication."

PowerGen has told the Treasury that it is "seriously considering" a US listing in November. National Power has made it clear that it has no intention of following PowerGen and instead plans to wait until next year.

keting the sale in mid January with a more likely to buy shares if the generaprospectus following about a month to six weeks later

Shares would be issued either in late February or early March. Both generators hope to increase their American shareholding by listing their shares on the New York Stock

Ministers wanted the generators to list their shares in the US simultaneously with the issuing of all the remaining government shares next year. It sold 60 per cent of each company when they were privatised three

Both companies already have US shareholders who buy shares through American Depository Receipts on Wall

tors are listed on the New York Stock

Since the public will be required to buy shares in both companies, as in the March 1991 flotation, when 60 per cent of the shares were sold, the government wants to co-ordinate the marketing of

Institutional shareholders will be expected to be given the choice of splitting their investment between Power-Gen and National Power.

PowerGen, however, may not prove susceptible to ministerial pressure to delay its US listing. It has shown itself to be individually minded, and quick to spot and take opportunities, such as building gas-fired power stations.

Britain in brief



Labour steps up pressure over Archer

Mr Robin Cook, the shadow trade and industry secretary, will today step up pressure on the government to publish the Department of Trade and Industry report into allegations of insider dealing involving Lord Archer, the bestselling author and former Conservative party deputy

chairman. Mr Cook is expected to write to Mr Michael Heseltine, the trade and industry secretary, asking him to confirm that there would be no "legal barrier" to publication of the report if Lord Archer agreed to

it being published. Mr Cook said last night that since Lord Archer had stated publicly that the report 'exonerated" him, the best-selling novelist should

have no difficulty in giving such permission. The DTI has never said whether Lord Archer was exonerated. It has only said only that no further action would be taken against him, following advice from

"independent counsel". The DTI has maintained that it is a "criminal offence" to publish reports into alleged insider trading under of the Financial Services Act. Lawyers confirm however that publication is possible if the main protagonists in the affair give their permission.

Production up at Perkins

Diesel engine production at Perkins, one of the two largest UK manufacturers, is running at 25 per cent above the levels of last year, reflecting higher activity in the industrial and construction markets. especially in the US and the UK. Daily production is up to 780 engines a day, according to Mr Myles Coleman, the manufacturing director at Peterborough, the group's

main plant, which is working for nine shifts every five-day

Perkins, owned by Varity York, recently reported sales in the three months to July of \$197m (£127m). 15 per cent higher than in the same period last year.

Demand for diesel engines has recovered in the UK and the US, but remains fragile in continental Europe. Sales from Perkins are largely to manufacturers of construction, electrical and agricultural orders are a response to the level of capital investment.

The other large diesel engine manufacturer in the UK is Cummins, also US-owned. whose main plant is in Darlington. Its strength is in the on-highway vehicle

Agencies probe at Lloyd's

Lloyd's of London is investigating claims that some agencies in the insurance market have been deliberately reducing and disposing of assets in order to avoid potential payments to Names Many agencies are being sued by Names for negligence. A Lloyds official said

yesterday that several cases of reported asset-stripping by agencies were under investigation, but added that that no details were being made public. He said: "If any Names suspected they were subject to such activity and reported it to Lloyds, we

Names are up in arms about the alleged asset-stripping, which they see as undermining their hopes for compensation.

rould look into it."

Philips arm to invest £100m

Philips Components, the division of the Dutch electrical and electronics group which makes television picture tubes and special ceramics, plans to invest £100m before 1997 to increase capacity of its UK manufacturing plants.

Almost three-quarters of the total will be spent on the company's colour-picture tubes factory in Durham. A further 210m will be spent on increasing the capacity of its

giass-making plant near Blackburn.

Mr Wim de Kleuver, chief executive of Philips Components, said yesterday that after comprehensive and often painful reorganisation. Philips UK manufacturing plants were as cost effective as any in Europe. Several were world-class with a performance equal to that of the best Asian

producers. Philips Components, with the company's semiconductor activities, represents about 12 per cent of the group's FI58.8bn (£21.7bn) turnover. About 70 per cent of the division's production is sold to customers outside Philips.

Backing for MPs' pay rise

The government moved yesterday to defend plans to raise MPs' salaries by more than twice the rate of inflation amid fears that the increase could undermine its case for public-sector pay restraint.
As union leaders and others lined up to attack the 4.7 per cent increase, Mr Tony Newton, the leader of the House of Commons - the

government's business mager - denied that the government had broken its own guidelines on public sector pay.

Mr Newton said that over a three-year period, MPs would

have been treated in "precisely the same way as . . . the civil servants with whom their pay has been linked for many years. He added: "I don't think that

any fair-minded person who looked at the position on this over a three-year period . . . would regard this as either unreasonable or a breach of pay policy."

But the increase - well above the 2.3 per cent rise in the retail prices index in the year to July - was widely criticised by trade union leaders.

The raise, which will take effect from January, will take an MP's basic salary from 231,687 a year to £33,169. The 4.7 per cent figure comprises 2.7 per cent which MPs were already in line to receive as the second part of a two-stage pay settlement and an klitional 2 per cent to bring them into line with middle-ranking civil servants with whom their salaries have

Government **National Grid**

By Roland Rudd

The government has rejected calls from its backbenchers to take a share of the profits from next year's sale or demerger of the National Grid.

The electricity transmission company is owned by the 12 regional electricity companies (Recs) of England and Wales which were given it when they

were privatised in 1989. The government owns a golden share in the National Grid which allows it to demand a share of the profits when it is sold or demerged next spring. Some Tory MPs have urged ministers to use the golden share to extract up to £2bn for

the Treasury. However, in move which will further boost the electricity companies' profitability, the Treasury has rejected the calls. It argues it would be an improper use of its golden share which it says was only intended to prevent foreign

ownership of the grid. While ministers are privately angry with the large salaries and share options awarded to electricity company bosses they do not believe the government should intervene in the

running of a private industry. The government's decision has infuriated some of its own backbenchers as well as provoking criticism from the opposition Labour party. Mr Robin Cook, shadow trade and industry secretary said: "I see no reason why the Recs should milk a fortune out of the National Grid that was built by

the nation and not by them." Mr Nicholas Winterton, Conservative MP for Macclesfield. warned voters were losing patience with the privatised utilities. For the government to hand over the National Grid, lock stock and barrel to shareholders of the electricity companies is hardly popular capi-

alism," he said. Electricity analysts believe the National Grid, which made pre-tax profits of £580 million last year, could be sold for as much as £5hp compared with the Rec's combined market

worth of around £15bn. While there could be a tax payment of up to £1bm in the event of a capital gains tax if the Grid was floated, analysis believe there are ways of avoiding tax.

arlsberg beer

Authorities trying to dig scorns call over themselves a bigger hole

sure to empower local authorities to disinter human remains and re-use graves as part of a national strategy to cope with the shortage of space in Britain's cemeteries.

Under proposals drawn up by the Institute of Burial and Cremation Administration. authorities would be allowed to make room for new bodies in old graves by placing the original occupants' remains in new caskets and burying them deeper in the ground.

Authorities would be able to do this on plots where 75 years had elapsed since the last interment. Living relatives would retain the right to renew their fami-

ly's rights over the site for a further 75 years. The IBCA, an organisation representing those responsible for managing the country's

cemeteries and crematoria, plans to oversee research later this year to assess the public's response to its proposals. The practice of re-using graves is common throughout Europe end in Australia. If the results are satisfactory it expects to submit its plan to

would react, but the idea has not been ruled out. Questioned recently by Mr See Lex | Tam Daiyell, Labour MP for

It is not clear how ministers

the government next year.

The British government is under growing pressure to approximate proving pressure to approximate interval in the province of th that has become of grave concern

Linlithgow, Mr Allan Stewart, Scottish office minister, said: "The re-use of graves would remains, which would be unacceptable to many people; and the implications would need careful and sensitive consider

According to Mr Ian Hussein, the IBCA national secretary, the issue of re-using graves is one ministers will have to face up to sooner or later because of a worsening problem with burial space in London and

other major cities. He says there are already three London boroughs which are unable to provide new

Considerably more will run out of space over the next 35 years - a period in which he says Britain's annual death rate is projected to rise from about 650,000 to nearer 850,000. He says the proportion of people choosing burial as opposed to cremation or other methods has levelled off at about 30 per cent after falling

for many years. The IBCA proposals are signed to overcome a number of problems associated with cemeteries becoming full. If a cemetery stops staging

new burials, for example, it loses its primary source of income. In addition, the less frequently old cemeteries are visited, the more they tend to become vulnerable to vandalism and deteliction.

Mr Hussein says that local authority cemeteries in England and Wales already run at an annual £60m deficit which is funded ultimately out of local taxation.

According to Mr Hussein, it is relatively common practice for authorities to re-use public or paupers graves without disturbing their original occupants by burying new bodies at a shallower level. He says London authorities also have the right to re-use

suitable private graves in this way where the last interment was more than 75 years ago and families have not renewed their rights over the site. The practice is known in the profession as "semi-re-use." But Mr Hussein says that

disturbing remains to re-use the grave is currently not permitted without explicit authority. Indeed he says it is genereasier to secure permission to disturb remains for virtually any other purpose than to re-use the grave.



Pikidi kan fall

Probably the best beer in the world.

graphics and plenty of razzamatazz. Then, as the meeting was thrown open to questions, a gentlemen in the audience rose to his feet. "I can remember when you were running the Newcastle [Australia] steelworks in the 1970s . . . " he told Brian Loton, BHP's chairman, as he launched into a long reminiscence The BHP executive, half-charmed and half-embarrassed, listened patiently, before quickly steering the meeting back to business.

The incident last year, although trivial, seemed to sum up the dichotomy which surrounds the Australian resources group. On the one hand it runs an A\$30bn (£14.2bn) portfolio of businesses worldwide, ranging from coal mines in Indonesia to oil rigs in the Irish Sea. A fifth of its shares are held internationally and in key divisions such as petroleum - much of the staff and management are outside its home country.

On the other hand the tug of BHP's roots is also strong - and not always entirely welcome. There is, for example, a peculiarly Australian share structure, which has BHP owning half of another company which in turn owns almost 20 per cent of BHP. There is a A\$2.2bn investment in Fosters, the Melbourne-based brewing group, which is carried in the books at significantly more than its current market value and has nothing to do with BHP's core operations. "It's a big credibility question," says one ana-

In addition, although overseas interests are growing by leaps and bounds, the fact remains that the bulk of BHP's money is still made in its home country. About 70 per cent of group assets are held there. There is nothing unusual about a formerly domestic company reaching a point where its growing international interests create a string of dilemmas over expansion and diversification strategy, and over organisation structure. But BHP's case is interesting for two reasons.

First, the company is curiously bound up with Australia's national psyche. "For 50 years, BHP has held a dominance in Australian economic life such as no company, to my knowledge, had ever exercised over the US economy," Geoffrey Blainey, a historian, has commented. Even now, the company accounts for 1.5 per cent of the country's gross domestic product, and is frequently referred to as the "Big Australian"

This status adds quite significantly to management responsibil-"We are always being asked to do this or that nationally by industry organisations, and government," says John Prescott, managing director. "It's usually far more than we can handle. We try to speak when

That, however does not mean that the group escapes criticism for not doing more. Some mining industry players, for example, wondered whether BHP should have taken the lead more forcibly during last year's debate over Australia's Native Title legislation and the issue of Aborigi-

Second, BHP is the only Australian company that can fairly claim

oday is a statutory public hol-

where people live. What is the occa-

sion for celebration that warrants

the loss of billions of working

hours? Is it Trafalgar Day, VE Day,

St George's Day? No, it is merely

the last Monday in August - a

Britain has about the same num

ber of public holidays as the US.

France and Italy, But Switzerland,

the country with the highest GDP

in the world, has only seven,

though individual cantons do have

This set me thinking whether I

could do a latter-day Weberian anal-

ysis. It was the sociologist Max

Weber who 90 years ago showed

that the Protestant countries were

(and still are) richer than the Catho-

lic countries. He attributed this to

the nuw-famous Protestant work

ethic, with its emphasis on hard

work, asceticism, industriousness

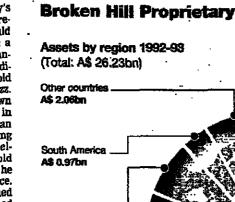
cause for national rejoicing.

their own as well.

and frugality.

iday in Britain - one of a

dozen or so, depending on



Breakdown by sector 1993-94 (Pre-interest operating profit: A\$-1,86bn) A\$ 1.86bn A\$ 981.7m North America A\$ 2,76bn Australia A\$ 18,58bri

Digging deeper and wider

BHP is moving further afield but it will not forget its Australian roots, writes Nikki Tait

to be making a "global" leap at present. Other groups of compara-ble size and status include News International, the media company and National Australia Bank. But the former remains the personal fief of Rupert Murdoch, while NAB operates only in the Australian, Irish and UK markets.

BHP admits that being out on this sort of limb brings unique pressures. The company, says Prescott, has used management consultants "sometimes for extended periods, particularly to help us overcome the isolation of BHP in Australia, to understand what the rest of the world is doing by way of best prac-

Most of BHP's development outside Australia has occurred during the past decade. During the first four years of this period the company's management was also wrestling with rival takeover attentions from Robert Holmes à Court's Bell Resources and John Elliott's Elders

Peace was finally bought in 1988. although the price is still evident in the controversial Fosters holding and the circular share structure. In spite of belated changes made to this last week, it could still provide takeover and management protection and hence could retard share price performance.

All the same, many observers believe in retrospect that the long and complex struggle with the two entrepreneurs also brought benefits forcing BHP to take a more aggressive management approach and shaking up a complacent bureaucracy.

Whether or not this is an accurate assessment, the tussle did coincide with a sharply increased international focus at the resources group. In 1982, BHP's sales from operations outside Australia were just A\$87m. By 1992-93, helped by a mixture of

acquisitions, investments and exploration work, they had grown to more than A\$5bn.

Even today, however, the extent to which BHP has "globalised" its operations varies markedly between divisions. The company has four main operating areas: steel, minerals, petroleum and "services", which includes a range of businesses from shipping to engineering consultancy. This structure was put in place in 1985, although there have been refinements since. "The broad thrust is to organise on prod-uct lines - generally based on worldwide groupings of products," says Prescott.

The petroleum division, which includes Hamilton Oil, is generally

In financial terms, BHP's structure and its range of interests has served shareholders quite well recently - in contrast to the performance a decade ago - and most pundits acknowledge that the spread of interests and their slightly different business cycles

are advantageous. Earnings dipped in 1991-92, but have since risen steadily. In the latest 12 months, to end-May, operating profit after interest rose by almost 30 per cent, to A\$1.28bn. The BHP share price has also been strong, outperforming the Australian stockmarket by 120 per cent since 1988 and the mining sector by a similar amount.

In the current year the company

On the organisational front, BHP recognises that some changes will probably be necessary as the company comes to terms with its growing global spread

High days, holidays and hard work

seen as the most internationally-focused. About 70 per cent of employees are based outside Australia and recent chief executives have been recruited from outside the company. (Peter Willcox, who stepped down earlier this year, came from Amoco; his replacement, John O'Connor, from Mobil).

The minerals side, too, is highly diversified and much of the management conducted from San Francisco, thanks to the purchase of Utah International's mining interests from US General Electric in 1984. Steel, by contrast, is described by one analyst as "more or less Australian". The current generation of top head-office executives has also been drawn heavily from this division's ranks: Loton, Prescott and two divisional bosses all worked their way up through steel.

admits it will have its difficulties. Nevertheless, analysts seem fairly confident that another year of steady performance is in sight. Barring sudden commodity price movements, market estimates suggest that profits of A\$1.4bn could be achieved.

Looking longer-term, much will depend on the scale and efficiency with which BHP spends its development funds. To achieve a 10 per cent profits growth and using a target rate of 15 per cent for return on equity, David Rubin at ANZ McCaughan calculates that BHP needs to commit around A21bn to new projects each year - on top of the replacement capital expenditure to replenish depleting assets.

In fact, over the past five years, the total capital and investment programme has topped A\$12.5bn.

Gearing, meanwhile, has come down about 35 per cent, and the company has been at pains to stress that it intends to avoid a "lazv

[undernsed] balance sheet". We have the capacity to fund any substantial new investment opportunity that should arise," Graham Heely, the finance director, told analysts at the results presentation in July, prompting specula-tion that a multi-billion deal could be in sight.

BHP has enthused about two potential channels for expansion. The first is direct reduced iron (DRI) - a process which involves the reduction of high-grade iron ore concentrate using natural gas. The resulting iron is made into small, transportable briquettes, which can be fed directly into the new generation of mini-mills.

Ideally, the production system requires high-grade iron ore and natural gas to be in close proximity a situation that exists in Western Australia's Pilbara region, but is only becoming a feasible option with the opening of the gas market. This month, BHP announced it was seeking environmental approvals for the construction of a A\$750m DRI plant in the region, indicating the final feasibility studies are in

The second is power generation, predominantly offshore, and probably in the growth markets of Asia and South America. This attracts some scepticism, since it would take BHP into a new area of operation. The company, however, claims such a move is a fairly natural progression from existing energy-related

Indeed, while BHP is only examining possibilities at present. Prescott does not quarrel with the notion that power generation might eventually form a fifth leg to the business. "It could be a self-con-

tained entity, although it would have to work closely with the rest of the group. But it may well be a core operation," he says.

On the organisational front, Prescott recognises that some changes will probably be necessary as the company comes to terms with its growing global spread. BHP, he suggests, may need to move from its divisional structure towards a "matrix" of the sort especially common among big US multinationals, where the product divisions and a geographical management network are superimposed on each other. Because of their complexity, such structures are often controversial and difficult to operate.

"The current structure may not give the best means of promoting BHP in a new part of the world," he continues. "It might be better if we had a structure which allowed us to present our credentials collectively in a country where we were not well known. Rather than have our steel business go in separately, then our minerals business, then our petroleum business . . . perhaps there should be a 'Mr BHP' who would be the single focus of contact in each particular country."

The company is already tending "to move a little bit in that direction", Prescott adds. Its president of BHP Japan serves as a single point of contact for all businesses there, and it is implementing the same concept in China and Russia.

Japan"? Prescott admits that he is Australian - "well, actually a Scotsman" - but quickly adds that on the divisional side of the structure the senior iron ore, coal, transportation and steel salespeople are locals.

"It's only in recent years that I could say that - it's a bit of a change," he remarks. For BHP, it is really a revolution.

DESERT ISLAND MANAGER

John Guinness

John Guinness, 58, spent most of his career as a diplomat and civil servant before taking over as chairman of BNFL, the nuclear tuels reprocessing company, in 1992. In his last nine years as a givil servant he was deputy secretary then permanent secretary in the Department of Rnergy and was responsible for the privatisation of the electricity industry.

Who would you take with you other than your family? I would have a chat with the Almighty and try to get my former boss, the late Victor Rothschild. He was the neares thing to Renaissance man I have known. He was a fellow of the Royal Society, an expert on the spermatozoa of the bull, a county cricketer, he could have de a very good career as a jazz pianist, he wrote the bibliography of English 16th century first editions and he was a great wit and bon viveur. He is also bead of the Think Tank, where I had two spells in the 1970s.

What would you miss most? I would miss the opportunity to ge to obscure private picture collections. I have a collection of a quarter of a million photographs of historical portunits which I have amassed since I was 15. I also advise Sotheby's and Christie's, sometimes helping to identify

What would you miss least? Bureaucracy (in both the private and public sectors), complacency and negativism.

What would you read? The first thing would be the Nuclear Installations' Inspectorate's safety regulations. But then I would ask for Dom David Knowles's four volumes on English monasticism, one of the great works of English scholarship. I would also ask for the business pages of the FT.

What film? Kind Hearts and Coroneis. Sir Alec Guinness is the most distinguished person with the name of Guingess. I only wish I could move we were cousins.

What drink and food? 'I would want figh and chins especially as there would be so much fish ground the Island. It is a food i adore; one of my: ambitions is to write a guide on fish and chip shope from London to Norfolk, I would also want

some diet Coke.

You can have one item of office equipment.
I learned to type when I was 13 and I have always feit comfortable with it. When I was in the Department of Environment I used to sign off my reports with "composed,

typed and sent by J.R.S. Guinness." But if I had to make a choice it would be a telephone, so that I could talk to my family and employees.

What vehicle? I would want to take my 1900 Clement Panhard. It is partly for this reason that the telephone would be essential. My wife is the engineer of the family. She can take cars apart and put them together with ease. I could telephone her and she could tell

me bow to repair it.

Michael Smith

the land hand be

eri Ž

ADRIAN

many appears to have one of the highest numbers in Europe. It seems there is a link, but oppo-site to my theory. Could it be that the hard-working citizens of the Pacific Rim need to rest more often because of their long-hours of toil? Or perhaps they simply need more

time to spend their yen.

country's number of public holidays

is a simple index of its economic

success? So I looked up the eco-

The sight of a male colleague dousing himself with an expensive cologne rather surprised me recently. Had be, I wondered, been influenced by research that has indeed shown there is a sweet smell of success?

In an American study conducted in the 1980s by a social psychologist, a woman was interviewed for a job by a number of interviewers. It

nomic dragons of the Pacific Rim -Hong Kong and South Korea have as many as 18, Japan 14, Even Ger-FURNHAM

> was the same woman, in the same room, applying for the same job and giving standard answers. But for one group of selectors she wore no perfume, for another a less-pre-ferred brand and for a third a popular musk-based brand. The select were required to rate her on abilities such as communication skills,

> conscientiousness and numeracy. The researchers showed reliably that those who interviewed the woman when she was generously sprayed in the popular brand of fragrance gave her higher ratings on nearly all the competencies.

Whilst it might be true that aftershave won't exactly compensate for

lack of ability, it might just help to pip others to the winning post. And my friend splashing it on - he was trying out a new wasp repellant.

Britain's long-running rail strikes provide management researchers with an excellent opportunity to measure the (intrinsic) motivation of their staff. The central question is who makes the effort to come to work and who prefers a spot of rose-pruning. A number of favourite hypotheses could be tested, such as the higher your rank in the organi-

to keep accurate and reliable measures of absenteelsm. Having no way of monitoring absenteeism leaves organisations susceptible to skivers, hypochondri-acs and moonlighters. Further, it makes estimates of days lost

Some time ago I "came out" as chronobiologically incompatible with my peers and the preferences of most organisations. I am a "lark" an early bird who prefers to get up and start work early. In at 6am home at 4pm. My colleagues, indeed most of the world, are "owls" who come alive at the end of the day.

through strikes (or illness) vague and open to manipulation for politi-

cal purposes. How many organisa-

tions have any accurate idea of the

cost of this rail strike to them?

make the effort.
Interesting and important, though They prefer to saunter in at 10am and leave at 7.30pm. difficult and time consuming, this research is unlikely to be pursued because few organisations attempt Why are important meetings

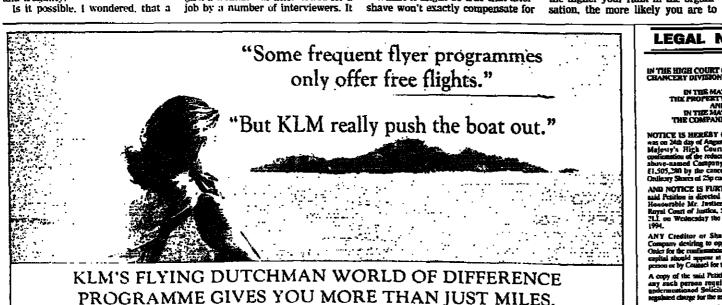
scheduled at 11am and 4pm and not 9am and 2pm? And why is staying late heroic but arriving early eccentric? The business breakfast imported by the Americans in the heady 1980s seemed not to have caught on in Britain.

The benefits of life as an early

bird are manifold - less traffic, lower rates of crime, better quality of air - but all are unheeded.

Alas the data are against me again. A string of British studies (funded by the Medical Research Council) of biological rhythms – measured by body temperature show the lowest point is about 3am and the highest about 5pm, Because people are more vigilant and attentive when warmer it does make sense, even for larks, to schedule meetings later in the day.

Adrian Furnham is professor of psychology at University College London. Lucy Kellaway is away.



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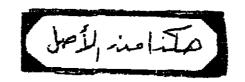
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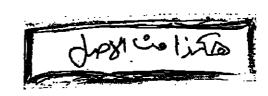
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BUSINESS

Blow for smokers Four aliffin

t will be the tirst

British Alimays is also rbrace one of its five flights between all transatiantic routes to



commercially growing southern towns of Carlon and Zidhar, a Chinese backed Hong Kong newspaper reported on Friday, Becide trains should cover the 138 m reute in about an hour. The link which is scheduled to open in 1997, is part of a development plan for the buoyant Pearl Fiver delta,

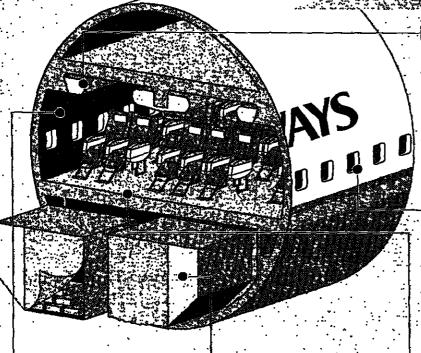
which includes Canton and

Korean crash fault a responsibility for the 1sh of a Rotean Air Lie

the in the leading business centres **3**2 32 32 32

Millions of people travel business class each year. But few are aware of what goes into providing the extra services. Charles Jennings visited British Airways to explore ...

The anatomy of a Club Class flight



Fresh air is drawn into the plane from ducts on the fusebage, bested and pressenteed to around 8 per square mot. This is equivalent to the sir

pressure found at the top of an 8,000th mountain. There is no risk attached to tale, but it does grate it lifficult to boil water (as the air ores enture at which water will half deed not 3A filights have been known to carry spec

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same area of from tricking furincipally in give passengers the impression viry are healting or violent pile carpet that their actually sin). The side carpets (which receive the beneficial wear)



Caub World section of a 747-400, all the and a 95 state led



Food facts

e**le kozes. Chil: World also gets** the SUCHE business of chinagogue, subcited from a number whealt chalacogue, producers: De overy Might, there will be



The seed backs now carry individual tile x7io LCD colour video screen nism to allow for variations in the angle of the tor 54 hours of video per flight. The capting for the video and eacho channel control, and for the overfeed tight switch and call butter, travels up one of the main seat legs and along a labe located across the butter.



These do empty out into the air, rather then into a bolding sank - the source of those raying about home counties housewhest catching Berl-Bert from a passing plane. The waste water emergee thought had drainpipes beneath the aircraft - one just ahead of the wings, the other at the tail. Both drainpipes are kept heated, to prevent them:

1.3m tablets of soap are used up every year.



ness people are mare likely to be male than ternale. BA caves not 1,032,500 men's washbags each year; neveral forçai beliane being cepticeod), as well as 400,000 handsets ont-324,000 marktus: The aquivalent of 20 tumner of aromatic petals go into the exsences supplied in Cody agendly bags.

makes worth of week Jahre.



There is one leastery for every 18.5 passenglers, each leisting serviced by a task holding 16 litres of water. On everage, one passenger in five sell produce what are known as "solide" during a flight, approximately quarter of a pound is worth. More generally, every passenger can expect to produce a pound is worth, those generally, every passenger can expect to produce a pound of flight during a flight, in the unitially event that a ory about filt up, sec



Food is health chilled before loading on to the place, then kept in specia



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Rough guide to English churches

Colin Amery on one of the best ways to learn about history and architecture

this is the season for church calling - a greatly underes-timated summer activity that somehow has the undeserved reputation of being confined to young fogies, wearing tweed jackets and riding old fashtoned bicycles. Looking at churches, as I have been in Norfolk and Suffolk in the past week, is a remarkably painless way of studying history and architecture. It helps in understanding their relationship to the countryside. But how easy is it to enlarge one's knowledge and understanding when faced with the average description of a parish church in the typed leaflets provided, or in the vicar's guidebook?

Take a typical example: "The church and tower are Perp but traces of Norman work remain. The south aisle is Dec. while the porch is a fine Perp example with good flushwork decoration in checkerboard pattern, with two orders of fleurons at the entrance. The chancel was renewed in 1848 but the stepped triple lancet window remains Perp. The piscina and sedilia clearly belong to the mid-13th century, as do the poppy heads on the choir stalls. Much of the furnishing is very much renewed and considerable damage was caused to the church by the iconoclasts. Note the fine brasses and hatchments." Is a translation needed, or at least

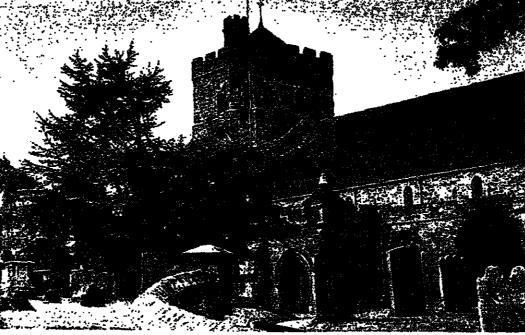
some key that can open the door

into the arcane Perp and Dec and early English? The most natural place to turn for enlightenment would be The Buildings of England by Nikolaus Pevsner, the invaluable Penguin Guides to all the counties of England. This great German refugee professor did what only a Ger-man could do. He methodically tackled the task of listing and visiting every building in England and describing them in an inimitable way that was both accurate and opinionated. Only Pevsner could write the sentence that says: "The Perp font as usual, octagonal", assuming realms of knowledge that most readers are unlikely to have. It was Sir John Betjeman who

memorably described Pevsner as "Herr Professor Doktor" - implying quite rightly that architectural scholarship has its place but is not much use if it cannot enlighten and

The only thing that really matters when you visit an old church, or examine an historic building, is to understand how to look. Once you learn to spot the clues - and it is easy enough - then visual discrimi-nation and the detective work of architectural history can begin.

When it comes to churches here is a rough guide. The Norman style of architecture was developed in England from 1050 to 1200. You can recognise it by its use of the round arch and the fact that most Norman



St Mary the Virgin, Battle. Part of the fun of church calling is not just mastering the basic stylistic differences but noticing the local variations of style and materials.

buildings are very big and solid. This solidity meant that there was no need for large projecting but-tresses. Towers are usually square and the place for richly carved ornaments is around doorways. You can tell the difference between early and later Norman work by the thickness of the mortar joints. In the 11th century they were wide and coarse, while in the 12th century they became line and exact. Much of Durham Cathedral is Nor-

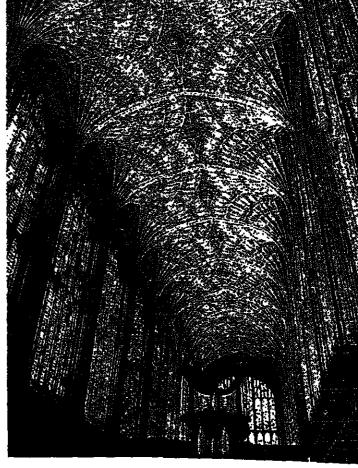
Out of the Norman style emerged the national Gothic style, which is known as Early English or EE. It was struggling to life in 1150 but really flourished for the whole of the 13th century. The arches are pointed and the buildings less fortress like. They also become lighter.

Spires appeared and roofs became became more elaborate, while piers steeply pitched. Vaults were no longer barrel shaped but became coin Cathedral is a good example of pointed and groined. Decoration became less geometric and more naturalistic - carved foliage can be seen. Salisbury Cathedral is the best example of this style.

It was inevitable that the cool refinement of the early English style would develop into something more elaborate and that is why the Decorated (Dec) evolved during the period 1290 to 1350. This style achieved something that modern architects have never been able to do: ornament became an integral part of the constructional elements of a building. Windows became much wider and gained strength from stone tracery based upon sim-ple geometric designs. Wooden roofs

the Decorated style.

Perp stands for the perpendicular style and its dates are 1350 to 1530. It looks as it sounds. All the emphaais is upon the vertical. This style represents the ultimate in Gothic architecture. The best way to learn what Perp is is to look at Kings College Chapel in Cambridge. The elaborate "fan tracery" of the roof is the culmination of Gothic vaulting. Arches are flatter and the flying buttress developed at this time to support walls that were sometimes composed entirely of glass. Walls that are not windows are covered with panels that emphasise the vertical nature of these tall Cothic

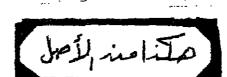


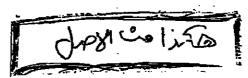
Kings College Chapel in Cambridge: ultimate in Gothic architecture

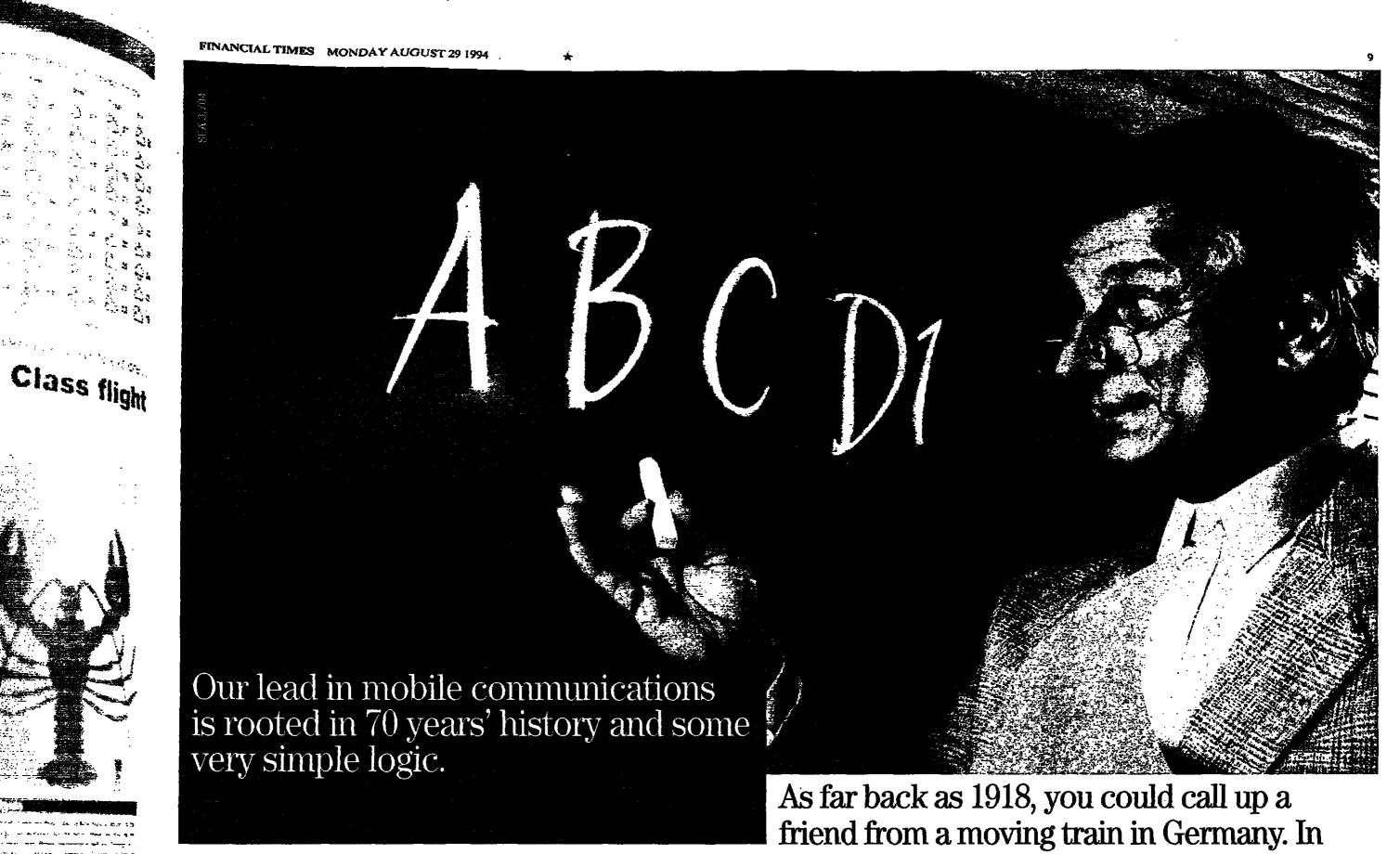
Part of the fun of church calling very high order. is not just mastering the basic sty-listic differences but noticing the local variations of style and materials. In East Anglia, for example, there is a characteristic use of filmt. Sometimes the flint is knapped (made smooth) and sometimes it is contrasted with stone in Heraldic patterns - this is known as flush-work. It is a regional art form of a

Churches are potent with the palimpsests of architectural as well as national history. The secret to unlocking their pleasure is learning the basic language and recognising different styles as you see them.

Then churches become strange and recognising their churches become strange and recognising their strange. wonderful changing things. They are an endless source of character and beauty.







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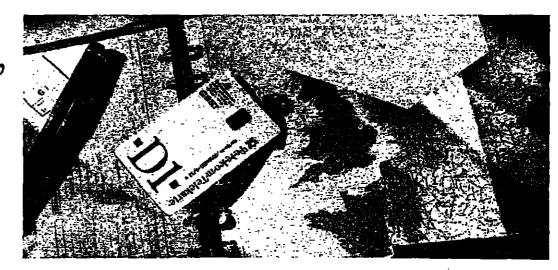
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you find yourself, or in which GSM-compatible system you insert your D1 card, you'll always benefit from the fact that Telekom has put all its wide-ranging expertise and its comprehensive mobile communications know-how into the development of GSM.

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Contacts and superstition

... were the building blocks of Thailand's largest hotel chain. Now, says Victor Mallet, founder Chanut Piyaoui plans to expand abroad

or a woman who and in southern Europe, says demurely that Like other ethnic C she knows little about finance or economics. Khunying Chanut Piyaoui is doing remarkably well. She is the founder and managing director of the Dusit Thani group, Thailand's largest hotel chain.

Now aged 72, Chanut (Khunying, roughly equivalent to "Lady", is a title bestowed on women by Thai monarchs) built Bangkok's first modern international hotel 25 years ago. "I didn't know about finance - I just wanted the best," she says.

She went on to establish and manage luxury hotels all over Thailand as tourism and business travel rapidly increased in the 1970s and 1980s. The company, which last year made a net profit of Bt 214m (\$8.6m) on turnover of Bt 1.03bn, also holds the Thal franchise for Best Western, the US hotel

On the advice of a fellow director - her son, Chanin Donavanik - Dusit has recently made substantial investments overseas, partly because the growth of tourism in Thailand has started to slow and hotel profits have fallen.
"I would like to invest overseas, not to make a lot of

money, but because I want to

present That customs, That tra-

dition, Thai art and culture, That food and hospitality." This apparent high-mindedness, along with her supposed ignorance of financial matters is taken with more than a pinch of salt by those who do business with her. The judgment of one foreign business consultant in Bangkok is perhaps more revealing: "She's as

tough as nails and knows

everything that is going on." Those qualities may become more familiar to foreign hoteliers as her group embarks on an ambitious plan to internationalise its operations with hotels in China and Vietnam

Like other ethnic Chinese tycoons in Asia, Chanut has fostered an authorised - and thoroughly bowdierised - version of her life story. Her father came from the Chinese island of Hainan and owned a saw-mill, but he lost his business when he pledged the property as a loan guarantee for a

Chanut's education in Bangkok was disrupted by the sec-ond world war and the Japanese occupation of Thailand. Her subsequent attempts to study for a degree in the US were stymied by her poor

friend who subsequently

defaulted; her mother owned a

rice-mill.

She was, however, impressed by American hotels and motels, and she returned to Bangkok in her mid-twenties to put up a 60-room hotel called "The Princess" which opened in 1949. At that time most Thai hotels were regarded as brothels. The women who ran them were seen as traditional mama-sans, not hotel managers.

Chanut set out to change all that. She saw the hotel business as a way to become an independent businesswoman. The venture was not a success, but the difficulties she faced and her stays in the Waldorf Astoria in New York and the Georges V in Paris - gave her the idea of building the fivestar Dusit Thani as "the landmark of Bangkok".

The distinctive triangular e-designed hotel, was the tallest building in the Thai capital when it was built in 1970, remains the centrepiece of the Dusit Thani chain. It is patronised by the Thai royal family and aristocracy as well as foreign business executives

Chanut's struggle to raise the \$20m that was eventually needed to open the botel has become the stuff of Thai business legend. She is all the more

remarkable for being a single woman - a divorcée who calls herself "chairperson" of the company - in an Asian business world dominated by men. "It was very difficult at that

time, especially as a woman,' she says, "but most people were kind, so I was able to make it... I didn't have any collateral and I went to see one of the smallest banks and asked the manager to help me. I knew him and his family but the money I needed was much higher than their registered capital, so they asked another bank and they both guaranteed a loan without collateral.

It was not the last time that she displayed an instinct for business opportunities which more than makes up for her lack of formal training. For example, the Dusit Thani's lobby was enlarged after Chanut saw the 400-seat lumbo jets being built in Seattle where she was attending a tourism conference.

ne ended a management Contract with the Westin group after two years because the profits she was earning were not high enough to pay off her debts. That decision enabled Dusit Thani to grow into a hotel management company in its own right.

The official version of Chanut's career and the growth of the Dusit Thani chain concentrates on the triumphs rather than the failures. Yet the group has not been free from controversy. It has been accused more than once of damaging or trying to profit from what remains of Thailand's natural environment.

The most notable example is the recently-opened Rayayadee resort in southern Thailand which is managed by Dusit. Environmentalists say the hotel is illegally sited in a national park, although Chanut says there is a title deed that proves otherwise. The official history of her life



is so sparse that it leaves much of her business activities since the Japanese occupation in the

realm of gossip.
Yet one factor in her rise is abundantly clear. Personal relationships are vital to business in Thailand and Chanut's success reflects the quality of her connections.

Her friendships with members of the Thai royal family have been crucial, but, like all royal matters in Thailand, they are not subject to public scrutiny. Suffice it to say that Princess Galyani, the King's elder sister, opened Chanut's first hotel in Bangkok four decades ago and many subsequently. The land for the Dusit Thani was leased from the Crown Property Bureau.

Political influence and good connections with the Chinese husiness community are more important than either luck or financial acumen for commer cial success in Thailand. Chanut has influence in abundance. Asked if she still relied on personal contacts more than anything else in her business, she replies "yes", but quickly changes the subject. How business is really done is never part of the authorised version in Thailand

Those contacts will be less

useful as the group expands

internationally, especially outside Asia. Nevertheless Chanut has sanctioned an ambitious drive overseas. In 1992, Dusit bought a stake in

The Melrose in Dallas, Texas, and now manages the property; it opened its first hotel in Indonesia in June this year, it is investing in a resort development in Majorca; the first Dusit resort in Nepal is due to open in 1996; it runs Vietnamese restaurants in Tokyo and Berne; and further deals are being negotiated in China, Vietnam and elsewhere.

The Thai name Dusit Thani, Chanut agrees, is not easy to market internationally, but she is loyal to it. Dusit Thani, the "City in Heaven", was the name given to a proposed utopian town by the late King Rama VI. Chanut prayed to his statue for permission to use it for her first hig hotel.

The belief that the success of her business is wrapped up with divine forces as well as royal friendships highlights another aspect of her business style. Chanut, in common with many Chinese entrepreneurs, is superstitions. Her foreign partners will find she uses a powerful device to determine the best date for opening a hotel: she consults the Chinese calendar to find a lucky date.

IN THE NEWS

Government veteran heads Chicago Fed

Reserve Bank of Chicago is a non-banker with political connections. He has spent more time in Washington in the past decade than he has on the bank's home turf, a five-state area that includes <u>Min</u>ois, Iowa, Indiana, Michigan and Wisconsin writes Laurie Morse. Michael Moskow will assume

the Chicago Fed's presidency in September. An economist with a doctorate from the University of Pennsylvania, Moskow served the Bush Administration as Deputy US Trade Representative, working for Carla Hills. In that job be was a principal negotiator for both the North American Free Trade Agreement and the General Agreement on Tariffs and Trade.

A Republican stalwart of 56, he also served for seven years in the Nixon/Ford administration in various posts, and for a time was Nixon's undersecretary of labor. When not in government service, Moskow held executive positions at several corporations in the Chicago

Since leaving the Bush White House, Moskow has been teaching strategy and international management at Northwestern University's Kellogg Graduate School of Management. His appointment to the Chicago Fed brings unusual experience in international economics and trade to the regional bank, whose territory includes both rost-belt and grain-belt industries that are the US's largest exporters.

Moskow will have about a year to become accustomed to bank policy before he becomes a voting member of the Federal Reserve's policy-making body, the Federal Open Market

Committee. Only five of the 12 regional Fed presidents get to vote on monetary policy at any one time. It's Chicago's turn

Sibley: magic of Hong Kong

Nicholas Sibley, the deputy chairman charged with launching the investment banking joint venture between National Westminster Bank and Wheelock, the Hong Kong trading house, makes no bones about the primary attraction of his new role: it's based in the Far East, writes Louise

Hong Kong's magic first bit him in 1972, when be became director of Jardine Fleming. the broking arm which is jointly owned by Robert Pleming – with which Sibley had spent the previous two years – and Jardine Matheson the colony's oldest hong.

Eleven years later he found himself back with parent Robert Fleming in London, but discovered the city was a very changed place: "It was the old problem of relative decline and what happens as a result."

There was envy to contend with too: "Everyone rather resented the fact that you had spent time overseas while they had lived through the Wilson and Callaghan socialist paradises and had just found themselves getting poorer." So in 1986 be joined Barclays de Zoete Wedd, later becoming chairman of the group's Asia Pacific operation

managing director of Wheelock CIC in February of this year. He retains the jovial demeanour and impeccable qualifications of a Jardine man – educated at Trinity College, Oxford, doing his national service as second lieutenant with the VIII King's Royal Irish Hussars and

He joined Wheelock as

training as an accountant But he is finding today's Hong Kong somewhat different from the early 1970s. There are more strange faces and not so many cocktail parties; instead, work takes up a lot of his time. He has no problem at all with 1997. viewing it even as a slight plus: "We'll get rid of all the political nonsense that's been developed here over the past couple of years". (A time span corresponding to Patten's tenure and introduction of an extended democracy.)

His trips to China are few

but illuminating: "You don't expect to find yourself suddenly, at the age of 56, in a karaoke bar in Chengda, bet anything in the pursuit of

His immediate tasks are to recruit a chief executive officer for Wheelock NetWest due to be launched around the turn of the year, and then divisional boads. After so long in the world of investment banking, he is confident be will know every name on the beadhunters' shortlists.

Sprängare: back to the woods?

Not many business leaders are courageous enough to describe a strategic alliance they have masterminded as a "complete failure," writes Christopher

Yet Björn Sprängare, nomeing his resignation last week as the chief executive of Swedish insurer Trygg-Hansa, was being disarmingly frank about his performance. Yes, there had been mistakes, he admitted. Yes, the public had lost confidence in him. And, ye his departure might make it easier for Trygg to get the banking licence it has long

No one deal unseated Sprängare – rather it was a series of investments that unhappily coincided with the crisis in Sweden's financial sector and brought the company huge losses. But he had his successes, too; he steered Trygg through a difficult demutualisation.

The good news for Sprängare's successor (yet to be chosen) is that Trygg's domestic insurance business is in good shape. The bad news is that the group's difficulties with its investment in the US insurer, Home, continue. After Home's initial public offering misfired last year, Trygg now has a bigger chunk of Home than it wanted. Action is urgent given the heavy losses which Home inflicted on Trygg's mid-term figures.

in truth, Sprängare always looked slightly uncomfortable in the world of financial services, given that his previous career was in the pulp and paper sector. It will be interesting to see whether the call of the woods for this doctor of forest science, whose favourite hobby is retiring to the woods and chopping down trees, is strong enough to lure him back to forestry now.

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MEDIA FUTURES

Diller warns against industry's stampede

Raymond Snoddy reports on the QVC chairman's Edinburgh speech

Barry Diller, chairman of QVC. the innovative TV home-shopping channel, has issued a stark warning that major corporations are launching multi-million - and even multi-billion - dollar experiments in new media convergences without any understanding of what these convergences are really

Diller's company grew by exploiting television. telecommunications and computers. But he says there are those in these industries who are doing "truly stupid things" in anticipation of enormous markets that do not yet exist.

"Telecom companies, broadcasters, book publishers, silicon chippers and software companies fear that, if they don't rush helter-skelter into each other's businesses, the great dance of the next century will pass them by," Diller said at the weekend.

He was giving the annual Worldview international lecture at the Edinburgh International Television Festival. The entertainment executive, who recently failed in his attempt to merge QVC with CBS, the US broadcasting giant, said that Hollywood was going to Silicon Valley and vice versa – each thinking the other would succeed, but not exactly sure at what.

At the same time publishers were spending millions of dollars digitalising books and magazines, and slapping them on to floppy disks and CD-ROMS, in the happy belief that all their intellectual properties are naturally interactive - "whatever that means".

The mega-Titans, the telephone and cable companies, were fighting over who gets into each other's businesses fastest, in the belief that all will be well if they can just own the content that flows down their wires.

"It's more complicated - and a lot simpler - than that," said Diller, who added: "All these companies' intentions are good, but I think, regrettably, the networks to multimedia hell are going to be wired with



good intentions."

The crippling mistakes that most people are making is to insist on defining convergence along the dimensions of technological innovation, and by defining convergence as a "natural extension" of their existing businesses

The result is that the programmers, "those organisers of the creative process", are playing the smallest, rather than the largest, role in the truly radical transformations now under way in the communication

The programmers must be encouraged to play the role "of the spark, the ignition to do

programmes, to get audiences to respond in new ways. The aim should not be to turn a personal computer into a TV set, a book into a personal computer or a video game into into a movie.

"It means having the willingness to subordinate your media expertise, instead of imposing it. It means treating a new medium on its own terms, not yours. It means having the patience to relax and follow your curiousity. instead of hyperventilating and chasing the crowd," said Diller.

As as example of new thinking, the QVC chairman said the one area where he invested in research at the home-shopping channel was in creating "smart agent technology". This is software that puts together a profile in great depth, "about who you are, what you like and what you are interested in". It creates a "sensitive" duplicate of an individual inside the memory of the computer. This can then be matched in

milli-seconds with a database of goods and services. "I think smart agents are going to be the single most important mechanism for empowering the entire industry. It will finally make mass media fit the individual.

watch out," he concluded.

When it does, people will change their habits. And when people change their habits.

A fever caused by fear

Victoria Griffith on the race by US publishers to get on-line

S publications have been racing u on-line over the last 18 months. The Chicago Tribune, the San Jose Mercury News, the New York Times and Time magazine are all now available through personal computer on-line services, and the Los Angeles Times, the Washington Post and Newsweek will be on-line by the end of the year.

The on-line fever appears to be partly motivated by fear. "A lot of people in this sector are afraid," says John Lux, on-line editor of the Chicago Tribune. technologies such as radio and television, and people think the information highway might shrink us again. I think newspapers will be around for a long time. But we also have an opportunity to embrace this new technology, and put some life into a staid industry."

Newspapers and magazines are still feeling their way in the electronic world. "We're going to be shaping the service as we go along," says Victor Perry, vice president of new business development of the Los Angeles Times. "This is new to us. We don't pretend to important to get on the learning curve now. Newspapers without on-line services will be left behind."

The first step for most publi cations is to make their articles available - usually for a fee - to users of an on-line service. The number of people who will actually read newspapers on-line, though, is proba-bly very limited. "It's not an ideal way to browse a newspaper," says Robert Ingle, president and executive editor of the San Jose Mercury News. "The amount you pay to load the articles into your computer over the telephone is more expensive than buying a paper, and most people don't enjoy reading text on a computer screen. For on-line services to take the place of newspapers you need technology such as a flat panel, an easily portable screen, and wireless communi-

Still, some demand for on-line articles exists. Readers often like to access local newspapers when they are out of town. They also get to read the articles earlier, since publica-



tions usually make material available several hours - or in the case of Time magazine, one or two days - before the printed version.

On-line graphics are also improving. More publications are offering photographs through the wire. The Washington Post plans to introduce a service which resembles a newspaper layout, complete with headlines, photographs and captions. Newsweek will include sound in its package.

Because the demand for on-line reading is limited, publications are trying to lure in customers with other services. Many of the on-line newspapers, for instance, offer extensive data bases. The Chicago Tribune and the San Jose Mercury News services allow readers to pull out past articles and supplementary information. A piece on the crime bill, for instance, would probably include a detailed history of its struggle through Congress. The New York Times, Washington Post and the Los Angeles Times also plan to offer plenty of local interest information, such as restaurant and entertainment guides. The guides would be coupled with past reviews from the Interactivity - or communi-

cation with readers - is also a key selling point of the services. Almost all the services provide bulletin boards for readers to post comments and questions on articles they have seen. The New York Times holds formal, schedules sessions during which readers can "talk" on-line to journalists and editors. Time magazine has hosted celebrity hours, during which readers can communicate electronically with well-known personalities.

"Interactivity is one of the main reasons people subscribe to a service like this," says

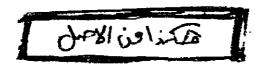
Richard Duncan, executive editor ot Time i important way for journalists, who are usually too much in their own world, to get in touch with their readers." Publications are unsure,

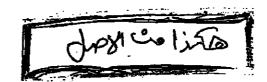
though, how far interactivity can be taken. "It can quickly get to the point that demands on journalists will become overwhelming," says Duncan of Time. "If journalists answer every inquiry, it would eventually take up all their time. But if you hire specialists to answer the letters, it defeats the purpose of the interactivity. The industry will have to sort this out."

Other questions remain unresolved. Pricing issues, for instance, will be essential to the services' success, and advertising will play a key role in keeping down costs. "Advertisements are crucial to allow us to provide the service at a low cost," says Michael Rogers, managing editor of Newswe InterActive. Yet publications are unsure how best to integrate advertising. Many hope to allow readers to purchase items from advertisers directly on-line in the near future. The Los Angeles Times also plans to provide catalogues, and advertising packages on-line. For instance, we could run a What's New at Walt Disney programme as an on-line form of advertisement," says Perry, of the Los Angeles Times.

It is also unclear how much updating readers will demand from the on-line publications. "We do a certain amount of updating during the day," says Mark Potts, director of product development for Digital Ink, the on-line arm of the Washington Post. "If our own stories aren't updated, readers can access updates through the wire services, like Reuters and the Associated Press. We don't have the resources to update everything, though."

Despite the uncertainties. on-line services have already established a firm place in the news industry. Consumers may not cancel their subscriptions for printed news yet, but many seem ready to plug into electronic information. For the old-fashioned newspaper and magazine industry, the on-line services may provide an important impetus to an otherwise slow-growing market.





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elogers

Wagner - discord and dynasty

Bayreuth, the world's most celebrated music festival, is the focus of a bitter family struggle, writes Andrew Clark

his story is better than surrounding Wieland's death. Wolf-any soap opera, and it gang's claim that their relationship any soap opera, and it still has a long way to run. It is about the Wagner clan - a dynasty at loggerheads over an inheritance. The current head of the clan is Wolfgang, who has just published his autobiography and celebrates his 75th birthday tomorrow. The treasure he guards is the Bayreuth Festival, founded by his grandfather in 1876. The supporting cast is a gaggle of next-generation Wagners, hoping to grab a share of the

1,40

>

inheritance when Wolfgang dies. The festival has long been Wolfgang's personal fief. He chooses the artists, welcomes visiting dignitaries, holds forth in a thick Franconian accent from the stage curtain, and is a formidable presence behind the scenes. Together with his elder brother Wieland, he revived the festival after the second world war, freeing it of its disastrous association with Nazism. He has run it alone since Wieland's death in 1966. Bayreuth has been his life.

For all who work at the festival, Wolfgang is an avuncular, silverhaired figure, who knows his grandfather's operas inside out. To his many critics and enemies, he is the Bayreuth blockhead: stupid, arrogant, mulish and greedy. His family liken him to Fafner hoarding the gold in The Ring - a dragon who

will not let them near the treasure.
Wolfgang's autobiography, Acts*, is his attempt to set the record straight - before his children, nephews and nieces (all aged around 50). publish their own bitter versions of and self-justification, a settling of old scores, a pent-up reaction to years of sniping at him and his second wife Gudrun. He calls it an interim report, a statement of accounts, "as one who is still an active and creative participant". His own Bayreuth productions may be old hat, but he will probably carry on working until he dies.

Despite a jumbled narrative and much pedantic detail, Acts is easy to read - but it is unlikely to enhance Wolfgang's reputation. This is no memoir of a worldly-wise philosopher who has risen above the fray, nor does it adequately reflect his vast knowledge and experience. Never having harboured intellectual pretensions, Wolfgang gives a artistic development. He was always the Handwerker, the plodding journeyman more concerned with safeguarding the archives, balancing the books and consolidating the fabric of the Festspielhaus, than conjuring new artistic visions in the manner of his elder brother.

The book underlines the long shadow which Wieland has cast over Wolfgang's life. It opens, perversely, with a detailed description of the atmosphere and intrigues

was based on brotherly love carries little conviction. He scolds Wieland for trying to sell priceless manuscripts in 1945, for rejecting their English-born mother after the war, for excluding him from the "fireside 'chats" at which Wieland decided artistic policy with his cronies. Reading between the lines, one senses Wolfgang's resentment: from their earliest childhood, Wieland was the anointed one. So the picture of Wieland that

emerges is cool and compromised. The only references that carry weight are when Wolfgang describes his brother as "incapable of handling financial matters properly", and says Wieland's affair with the young Anja Silja was sparked by her unerring feel for his theatrical ideas.

Wolfgang's vituperative attacks on Wieland's wife and children are

shows towards his late sister Frie-delind. Like the younger-generation Wagners today, her pot-shots from the sidelines were a constant embarrassment. Wolfgang says he never possessed "the fabulous brilliance and absolute predestination characteristic of many other members of the Wagner family. These qualities seem to preclude their involvement in subordinate activities, but have often prompted them to lay vehement but unjustified claim to positions of paramount authority And that is why he has done

everything he can to stop the next generation succeeding him. For Wolfgang, the survival of the festival is more important than the continuing involvement of the Wagner family. "The mere statement I am a Wagner has long ceased to be an open sesame." In his eyes, none of the younger Wagners has the necessary training or proved their qualifitame compared to the hestility he cations independently - and few

observers would disagree. Much of the book seems an apology for the irrevocable breach in relations with Walter Legge, Peter Hall and his son Gottfried and daughter Eva, children of his first wife Ellen. Apart from Gudrun and his parents, the only member of the family to merit affection is his 16-year old daughter Katharina.

The book is a poor reflection of Wolfgang's better side - his openness, his sense of duty, his ability to inspire team spirit - but it does offer some interesting nuggets. The only time the festival orchestra ever went on strike was in reaction to an outhurst of abuse from Toscanini in 1931. Free tickets were handed out for some performances in the early 1950s, because there was insufficient demand from the paying pubhic - a far cry from today. When asked to stage the centenary Ring, Peter Stein wanted the four parts condensed to two. Wolfgang also reveals that the 1981 Ponnelle Tris-

tan (for which he shows little

duction ever staged at Bayreuth.
Walter Legge, Peter Hall and
Georg Solti ("downright aggressive") are the target of predictable brickbats. Hitler, who made the first of many visits to the Wagner

household in 1923, is let off lightly. There are good anecdotes about Knappertsbusch and Karajan, who demanded his own WC and headed his correspondence from the Festspielhaus with the word "management". The dull account of Bayreuth's recent history is leavened by shafts of dogged realism: "If something misfired, the public tended to lay the blame at my door; if it succeeded, I had no part in its

One of the book's leitmotifs is the unwavering wisdom of Bayreuth's civic leaders, and their ability to serve the festival's best interests. Most of Wolfgang's life has been dedicated to that same purpose.

successor, Wolfgang will probably not be around to influence the decision. Under the statutes of the Richard Wagner Foundation, which Wolfgang and his mother set up in 1973 to preserve the festival's indeendence and protect it from family in-fighting, candidates from the Wagner family must be considered, but there is ample leeway to appoint an outsider.

A Straight Musica, Thrin's armusi

This year's festive has a focus or Steve Reich, including performances as his video transfer office. The Care,

five, opens on Saturday

Gudrun, 50, is a possibility - the festival has a history of widows inheriting the mantle of power. However, most Bayreuth observers reckon she will not command enough support within the foundation, which is dominated by public funding bodies. The most likely outcome is that an experienced intendant will be brought in. The link with the Wagner family will be cut. It will be the end of Bayreuth as we

*Acts by Wolfgang Wagner. Weldenfeld & Nicolson £25, 324 pages



Wolfgang Wagner guards Bayreuth, the dercely contested legacy of his composer grandfather Richard Wagner

Perrier Award

Lano and Woodley triumph

Worries that the Edinburgh Fringe was degenerating into little more than a comedy festival were relieved this year when a number of consciously humorous productions registering for the Fringe fell sharply. Even so the annual Perrier Award for the best comedy act on the Fringe always arouses interest and creates considerable ripples.

The joy for the winner is not the money - Perrier gets away very lightly with just £3,000 and a few guaranteed bookings - but the certainty of a sharp rise in performance fees, and the near certainty of a television series. Led by Channel 4, the TV companies have been quick to see the new generation of comedians as cheap material which might just attract the elusive youth audience. Frank Skinner, Hughes and Lee Evans are the most recent Perrier winners to feature prominently on the screens.

On Saturday night, in the unlikely surroundings of the Waverley Shopping Centre, Lano and Woodley were named 1994 winners of the Perrier.

It was something of a shock. Colin Lane and Frank Wood are Australians and unknown in the UK. Their victory is the kind of revelatory discovery which makes the Fringe worthwhile. Perhaps even more encouraging, they are not stand-ups - a form of egotistical paranoia with only incidental links to the comic - which thankfully seems to be in decline.

Lano and Woodley are a double comic acts. Laurel and Hardy. Abbott and Costello and Morecambe and Wise would instantly welcome them to the brotherhood. Lano is the good-looking one who (in his own mind at least) ruts all night. Woodley is the screwball, never able to get a date. They live together in comfortable bickering. The act is as wholesome and lighthearted as you could wish. It pleases many and offends none and

Lane and Wood are actors and are able to improvise around the routines. There is audience participation as Woodley tries to prove that he can persuade a girl in the audience to kiss him.

After the years of political cor-

would comfortably transfer to TV.

rectness; full frontal bawdy; and surreal exhibitionism, the Fringe has finally come up with winners in the musical hall tradition. Lano and Woodley can be seen at the Lyric Shaftesbury Avenue in October in a festival of the Perrier short list. Other contestants of the prize, all stand-up comedians, were Alan Davies, Harry Hill, Jeff Green, Owen O'Neill and the American Robert Schimmel.

Tony Thorncroft



BERLIN

BERLIN FESTIVAL " This year's festival (Aug 30-Sep 29) is built on the theme of Leitmotifs of the 20th Century, with a special focus on the music of Pietre Boulez and Berthold Goldschmidt. The opening week features the Maly-Drama Theatre of St Petersburg in two Lev Dodin productions = a commentary on Communist Russia. entitled Claustrophobia, and Fvodor Abramov's play The House (at Volksbühne am Rosa-Luxemburg platz and the Schaubühne). For acomplete prospectus, contact the festival office at Budapester Strasse 48, near Kurfürstendamm (2548

 $(\sqrt{a_{\mu}}\log a_{\mu})^{2} M_{\rm c}^{2} = 0$ Philhermonie Tomorrow: the 1994 Berlin Festival opens with a concert performance of Berthold Goldschmidt's opera Bestifice Cerici, Butterfly on Sat. Katya Kabenova with cast headed by Roberta Alexander and Simon Estas (241 0249)

Conducted by Lottan Zeignesic (252 Staatsoper unter den Linden

Wed: Daniel Barenbolm conducts (252 Roland Petit's Ballet National de

Boulez and Beethoven. Fri: Cherubiol Quartet plays Havdn. Sat and Sun: Vladimir Aishkenazy conducts Berlin Radio-Symphony Orchestra in Mozart and Messia Sait (Kammermusiksaal): Peter Serkin, Pamela Frankand Yo Yo Ma play chamber music by: Webern and Brahms. Surr (Kammermusiksaal): Christian Tetziaff and Heinrich Schiff play sonatas for violin and cello. Next Mon and Tues: Claudio Abbado conducts Berlin . . . Philharmonic Orchestra in a Russian programme. Next Mon ::= Transmusiksaaf: Alfred Brendel

and friends play Mozart's Piano Quartet K478 (2548 8132) ia-Stadion Thurs: Phili Collins (809800) Waldbühne Fri: Daniel Barenboim conducts Verdi's Requiem (200 4762/2035 4494)

histosolethaus Set and Siminis Rafael Frühbeck de Burgos conducts Berlin Radio Orchestra in: works by Berg and Bruckner, with violin soloist Ernst Kovacic (2090 a

OPERA/DANCE

-Deutscha Oper The 1994-5 season opens on Thurs with a revival of Aribert Relmann's 1992 Kafka opera** Das Schloss, staged by Willy Decker and conducted by Michael Boder, with a cast headed by Wolfgang Schone (repeated Sep 10 and 15). Julia Varady stars in Un ballo in meschera on Fri, and Helen Field sings the title role in Madama Swoan be seen on Sun and next Wed

on Sat, Sun and next Mon. The first opera production of the season is Florian Leopold Gassmann's L'opera seria, opening on Sep 9 at Hebbel-Theater (200 4762/2035

4494) Komische Oper Repertory performances begin tomorrow with Die Zauberliöts. The first new production is Bertinold -Goldschmidt's Der gewaltige Hahrrei, opening Sep 16 (229 2555)

Philadelphia, Here I Cornel: at :

NEW YORK THEATRE 1975 THE STATE OF THE S

last, a new show on Broadway - and a play, no less. Mile O'Shea, Robert Seen Leonard and Pauline Flanagan star in Brian Friel's drama about the rocky relationship between father and son in rural freland. Directed by Joe Dowling. Now previewing, on opens Sep 8 (Reundahout, 1530 Broadway at 45th St, 869 8400) The Two Gentlemen of Verona: Shakespeare in Central Park, care of the New York Shakespeare Festival The revamped box office policy means that audiences no longer need to queue all day for tickets - ** though that was part of the fun. This production of Shakeipeare's and shakeipeare's an now in its final week: Enter the Park at 81st Street and Central Park West or 79th Street and Fifth Avenue (861

Angels in America: Tony: 4244 Kushner's two past spic conjures a vision of America at the edge of disaster. Part one is Millerten. Approaches, part two Perestrollar played on separate evenings. The

Abraham (Walter Kerr, 219 West 48th St, 239 6200) Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delicitiful Marian Seldes represent three generations of women trying to sort out their pasts (Promena Broadway at 76th St, 239 6200)

 Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)

Kiss of the Spider Woman: pop star and ex-Miss America Vanessa

Williams has taken over Chita Rivera's starring role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239

 Crazy for Your a highlight of this glitzy entertainment is Susan Stroman's choreography (Shubert, 225 West 44th St, 239 6200) Guys and Dolls: a top-notch revival of the 1950 musical about the gangsters, gamblers and good-time girls (Martin Beck, 302

West 45th St, 239 6200) • Stomp: a loud, aggressive and energetic show in which a troupe of performers dance, clap and generally bang on everything in sight. Far more engaging that you might expect (Orpheum, 126 Second Avenue, 307 4100)

OPERA/DANCE

State Theater New York City Opera's autumn sesson opens on Sep 8 and continues till Nov 20.

Borodin's Prince Igor (Sep 10) and Bernstein's Wonderful Town (Nov 8). Repertory also includes Die Zauberflöte, il barbiere di Siviglia. Carmen, Tosca, Delibes' Lakmé and Boito's Mefistofele (870 5570) Metropolitan Opera The 1994-5 season begins on Sep 26 with a gala featuring Placido Domingo in Puccini's Il Tabarro and Luciano Pavarotti in Leoncavalio's I Pagliacci

CONCERTS

Avery Fisher Hall The New York Philharmonic's season begins on Sep 21. The orchestra's music director, Kurt Masur, conducts the first three weeks of concerts (875 5030)

Carnegie Hati The new season begins on Sep 29 with a concert by the Academy of St Martin in the Fields, with mezzo Cecilia Bartoli (247 7800)

PARIS OPERA

The 1994-5 season at the Opéra Bastille opens on Sep 19 with Nicolas Brieger's new production of Simon Boccanegra - conducted by Simone Young, who takes the place of recently-dismissed Bastille music director Myung-Whun Chung. The title role will be sung by Vladknir Chernov (10 performances till Oct 14). Bob Wilson's version of Madama Butterfly is revived on Sep 29. The season also includes Le nozze di Figaro, Lucia di Lammermoor, La Damnation de Faust, Un ballo in maschera, Iphigénie en Tauride, Die Zauberflöte and I Capuleti e i Montecchi (4473

1300). The new Ring production at

the Châtelet continues with Slegfried on Oct 14 and Götterdämmerung on Oct 16. There will be two complete Ring cycles between Oct 31 and

DANCE The Paris Opéra Ballet's 1994-5

season takes place mainly at the Opéra Bastille. It opens on Oct 25 with the traditional Grand Défilé, followed by Balanchine's Le Palais de cristal (Symphony in C) to Bizet, The Four Temperaments to Hindemith and Jerome Robbins Glass Pieces to Philip Glass (12 performances till Nov 17). The sesson also includes a young dancers programme, Nureyev's production of Swan Lake, a triple bill including works by Balanchine and Martha Graham, John Neumeler's Magnificat and a Nijinska-Nijinsky programme (4742 5371)

CONCERTS Serrivon Bychkov conducts the

FESTIVAL D'AUTOMNE

Orchestre de Parls in the first concerts of the new season at Salle Pleyel on Sep 14 and 15, with piano soloist Radu Lupu (4561 0630)

This year's festival runs from Sep 20 to Dec 30. Highlights include Peter Stein's Moscow staging of the Oresteia, a Robert Lepage production, a Bob Wilson adaptation of Dostoyevsky, and The Merchant of Venice directed by Peter Sellars. The dance programme includes Trisha Brown Dance Company, and there is a special focus on the music of Gyorgy Kurtag (Festival d'Automne à Paris, 156 rue de Rivoli, 75001 Paris. Tel 4296 1227

ARTS GUIDE

Monday: Berlin, New York and Tuesday: Austria. Belgium. cago, Washington. Wednesday: France, Ger-many, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Busi-ness Today 1330; FT Business

Friday: Exhibitions Guide.

Tonight 1730, 2230 MONDAY NBC/Super Channel: FT

Reports 1230.

Euronews: FT Reports 0745, 1315, 1545, 1815, 2345 WEDNESDAY NBC/Super Channel: FT

NBC/Super Channel: FT Reports 1230

Sky News: FT Reports 0230, SUNDAY

NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430,



employment is in danger of starting off with the wrong

PERSONAL employment VIEW - cannot be achieved simply by deregulating the labour market or cutting labour costs.

The basic problem has been the level of demand, not the cost of labour. If the demand for products were higher most firms could profitably produce more at the same price and wage levels, either by utilising existing capacity more fully or by installing new - and more efficient - capacity.

To restore full employment the first prerequisite is to reverse the deflationary bias of monetary and fiscal policy, which was the prime cause of the rise in unemployment in the first place.

The fall in tax receipts and increase in social security costs during the recession has meant, however, that fiscal policy has become dominated by a desire to reduce borrowing, irrespective of whether further deflation is appropriate. This has now reached the point where it is being widely ed that the government should cut taxes when recovery is well under way and revenue is higher, rather than during the recession when the economy needed a stimulus.

But while higher demand is an essential condition for reducing unemployment, it is not in itself a sufficient remedy. The deflationary fiscal and monetary policies which raised unemployment during the 1980s were adopted to counter inflation. We cannot expect to reverse them without finding alternative means of avoiding inflation. Post-war experience, in the UK and elsewhere, shows that to avoid a wage/price spiral with low levels of unemployment some form of co-ordinated pay bargaining is essential. Only by taking a national, rather than a purely local, view will the common need to avoid inflation be taken into account.

Despite the government's optimism about inflation, the increasing fragmentation of wage bargaining in recent years has made a renewal of

The current the wage/price spiral more, debate on full rather than less, likely as recovery gets hold.

Making pay mere sensitive to market conditions may hold down wages when demand is weak, but it makes them more likely to increase rapidly again when recovery takes off. Far from being a means of securing full employment, decentralised and deregulated labour markets make continued mass unemployment the only means of keeping down inflation.

\$150bn dollar question is hanging over the future of the world semiconductor industry. This is the amount The wage/price spiral is. however, only one source of that most industry executives say must be spent on new chip plants inflation. The other is the danover the next five or six years if proger of running up against duction is to keep pace with projected shortages of capacity. The prolonged period of heavy unemdemand. But there are doubts manuployment has left us without facturers will spend it. sufficient capacity to employ Chip makers worldwide are expecthe available labour force. The ted to spend a record \$18bn on new plant and plant expansions this year. need today is for investment in Even at this rate of capital invest additional capacity. The experience of the 1980s, however, is ment, however, the industry is bound to make managers cauunlikely to achieve its end-of-century

goal, prompting a top executive to

predict a serious shortage of semicon-

"It is either a lack of resources or a

lack of guts" that is holding back

semiconductor industry capital investment, says Dr Gordon Moore.

chairman and co-founder of Intel, the

world's largest chip maker. Whatever

ment is far from that required to sus-

tain the growth in silicon processing".

economic implications, far beyond the bounds of the chip industry. Some-

times described as the "crude oil of

the information age", semiconductor technology fuels the entire \$700bn a

year electronics sector, which includes computers, telecommunica-

tions and consumer electronics. A

wide range of industries that rely

upon electronics for factory automa

also feel the effects.

tion or information processing could

try growth will slow, or we are enter-

see little evidence of the slowing of growth," says Dr Moore. His "Moore's

Law", which describes the advance of

chip technology in terms of a dou-

bling of the number of transistors per

silicon chip every 18 months, has held

Indeed, world semiconductor sales

have grown at an average 16 per cent

a year over the past 20 years, despite

cyclical peaks and troughs in the mar-

ket. This year, worldwide merchant

semiconductor sales (excluding chips

produced by companies for their own

By 1998, world chip sales are proj-

use) are expected to top \$100bn.

true for more than two decades.

"Either the [semiconductor] indus-

period of high undercapacity. I

The shortfall has potentially broad

the reason, he believes that "invest-

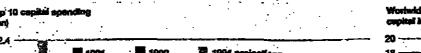
ductor chips.

tious, as the recent CBI and Bank of England surveys of target rates of return indicate. A more plentiful supply of equity capital and less reliance on loans and overdrafts could help smaller companies survive any temporary recessions. But with larger companies, it is primarily a case of the UK and other governments being able to demonstrate their determination to follow more expansionary policies. Only the US has as yet shown any signs of moving in this direction. As ng as any recovery is likely to be halted in mid-stride for fear of inflation - as talk of higher interest rates suggests companies will be reluctant

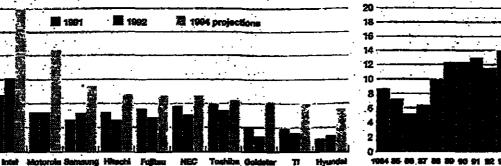
to invest in new capacity. If the restoration of full employment is to be more than empty rhetoric, fundamental changes in attitudes are essential, with a greater willingness to adopt co-operative solutions to economic problems. The CBI and the TUC could make a big contribution by ignoring pejorative comments about a "return to corporatism" and by sitting down together to thrash out an understanding on pay for the private and public sec-tors. If this is "politically impossible", then so is full

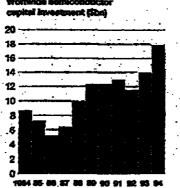
John Grieve Smith

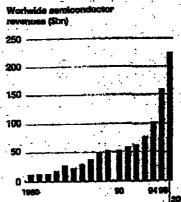
The author is senior bursar of Robinson College, Cambridge.

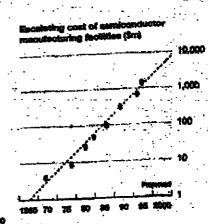


Chip makers are increasing capital spending, but demand is rising fast









Tension rises when the chips are down

Louise Kehoe on increasing fears that world demand for semi-conductors is set to outstrip manufacturers' capacity

ected to reach \$160bn and industry revenues are projected to be about \$225bn by 2000, according to Integrated Circuit Engineering, a semiconductor market research group.

What is harder to predict is where the greatest increases in demand for chips will be. Today the surge in personal computer sales is driving growth in the semiconductor industry, and most observers expect that PCs will continue to be the biggest market for chips for many years. But these tiny squares of silicon etched with microminiature electronic circuits are now ubiquitous, hidden within the works of everything from

cars to communications satellites. Future products that might con-sume huge quantities of semiconductor devices include TV "set top boxes" that link homes to information superhighways and pocket telephones, which are expected to be as common as blue jeans early next century.

Even if forecasts for semiconductor demand are optimistic, chip makers will have to invest more heavily if they are to continue to produce ever more complex devices. Only the newest, state-of-the-art fabrication plants "fabs" in industry jargon - can produce the latest generations of microprocessors and memory chips.

Already, there is a shortage of "advanced" chip production capacity, says Mr Dan Hutcheson, president of VLSI Research, a semiconductor industry consulting group whose clients include the Clinton administration. "And there will continue to be a shortage of capacity for the foreseeable future," he says. Obsolete plant is not being replaced

or upgraded sufficiently quickly, says Mr Hutcheson. It will take 50 years to replace all of the "fabs" needed for production at current capital spend-

ng rates, he predicts. The biggest problem facing the chip industry is the rapidly rising cost of new plant, as equipment becomes more sophisticated to meet ever more exacting specifications. Since the mid-1970s the cost of building a state of the art, economically viable new chip "fab" has risen from about \$20m to as much as \$1hn. And the cost continues to climb "almost exponentially", says

Either the industry growth will slow, or we are entering a period of high undercapacity

Dr Moore. "We are well on our way to \$2bn semiconductor plants. Intel estimates it will spend about

\$5bn to produce its latest Pentium microprocessors, the brains of powerful PCs, in peak volumes. This is five times the cost of peak production of the current generation of 486 micro processors. Mitsubishi, a Japanese chip maker, says it will need a \$15bn investment in order to be able to produce one gigabit memory chips (devices that can store 1,000m bits of information) around 2000.

Despite the rising cost of chip production, however, the industry's rate of capital spending has remained fairly constant over the past 10 years at about 20 per cent of revenues.

As costs rise, the number of companies that can afford to participate in the semiconductor industry is dwindling, so limiting the industry's sources of investment. Only a few big spenders" remain. These include Intel, planning capital expenditure this year of \$2.4bn, and Motorola, the second largest US chip maker, with a \$1.7bn capital budget. Korean and Taiwanese semiconductor producers are also rapidly expanding production, with Samsung, the Korean producer. setting the pace with planned invest-

ments this year of about \$1.1bn. Lagging the rest of the industry are most Japanese chip makers. After leading the world in semiconductor capital spending throughout the 1980s, the Japanese industry halted most of fresh capital investment in 1992 when its domestic economy went into recession.

For years, Japanese conglomerates could afford to allow their semiconductor divisions to spend freely on capital additions, even through down-turns in the semiconductor market," says Bill McClean of Integrated Cir-

cuit Engineering. Since 1992, however, the non-semiconductor operations of the Japanese conglomerates have performed poorly, drying up the source of capital for their semiconductor operations. Japanese companies are starting to invest again, and are expected to spend about Yen655bn (\$6.5bn)this year on new plant for chip manufacture, up 17 per cent on last year but still 24 per cent below 1991 investment levels. In an ironic reversal of fears in the mid-1980s that Japanese companies would dominate the semiconductor

market. US chip makers now worry that some Japanese companies will scale back their involvement, creating

a void that may be hard to fill.

For those companies staying in the market, particularly the few that can afford to build \$1bn plants at the rate of about one each year, the semicon-ductor business is becoming increas-ingly profitable. Intel recorded pre-tax profits of almost \$2bn. or 36 per cent of revenues, for the first half of this year, an industry record. Korea's memory chip makers are also reaping the rewards of their heavy investments in manufacturing capacity. says Mr Hutcheson, with profit margins on Dynamic Random Access Memory chips topping 30 per cent. Dr Moore looks forward to the day when the price of Intel's chips will reflect their performance and be "based on the value of the product rather than its manufacturing costs". While price based on product value may not be unusual in other indus-

or as long as anyone car remember, the "price per bit"
- a measure of the cost of the computing power or storage capacity of a semiconductor chip has been declining. Today, the price of a 4 megabit memory chip today is about the same as the 1989 price of a 1 megabit memory chip. In other words, the price per bit is a quarter of what it was five years ago.

tries, it is a radical departure from

trends in the semiconductor business.

if this trend were to be reversed, it could lead to some big changes in the computer industry. No longer, for example, would the average selling price of PCs decline while computing

"By about 2003 or 2004 we are going to see the real cost of computing power turn upwards." Mr Hutcheson predicts. "We are going to see a mas-sive increase in chip prices."

In an industry where one year fore casts are suspect, predictions beyond 2000 must be regarded as speculative. Nonetheless, it appears that unless there is a significant increase in capital investment in the semiconductor industry over the next few years, the era of ever cheaper chips may be

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THE EDITOR

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One other choice for Remploy From Elaine Cruikshanks. having recourse to the Euro affect British industry would be through UK government statement by Remploy's chief door the blame for withdrawal departments, it pays to

From Elaine Cruikshanks.

statement by Remploy's chief executive that, while he had known about the UK government's intention to axe the priemploying disabled workers for more than a year, he had assumed that he had no choice but to accept the government's plan ("Remploy chief hits back at Portillo", August 24).

Clearly one can criticise Mr Michael Portillo's action, as Mr Worthey is now doing. However, it is regrettable that the chief executive of Remploy should unquestioningly have accepted the words of the UK of the scheme is being laid. Had he done so, he might have learned that the German government is drafting a law based on the UK scheme, apparently with the European Commission's blessing As many companies and

organisations with a representation in Brussels can confirm the very reason for having independent sources of information is that government and industry viewpoints on issues will inevitably diverge.

While the easiest and most comfortable methods of keep-ing abreast of policies which

remember that political expediency or opportunity may often direct ministers' policies and

For this reason, Mr Worthey's sad testament should be taken to heart, not only by Remploy's employees, but also by other British industry organisations not active in Elaine Cruikshanks,

managing director, Hill and Knowlton International Belgium, International Public Relations

Blind users of blank tapes object to levy

From Mr Ian Bruce.
Sir, I write to refute the point made by Wayne Bickerton of the Music Copyright Reform Group (Letters: August 24) that blind users of blank tapes would not be hit by the European Commission's proposals on the introduction of a blank

tape levy.

Access to information is one of the main problems facing the 1m blind and partially sighted people in the UK tape often provides the solu-tion. The importance of tape is increasingly acknowledged by information providers; and it is vital to encourage further use of tape as a communication medium. It is clear that the majority of visually impaired people do not infringe copyright in their use of tape. The MCRG claims that the

proposal will allow member states to exempt or compensate blind users of tape. The Royal National Institute for the Blind has consistently opposed the introduction of a blank tape levy because we are uncon-vinced that it is possible to creable exemption scheme, due to cost and bureaucracy prob-

duction of a blank tape levy. It people use tape for the purposes of overcoming disability. Ian Bruce, director general,

London WIN

RNIB therefore feels that the difficulties of developing an exemption scheme raise serious questions about the introbelieves there can be no justifi-cation for a levy when blind

224 Great Portland Street.

From Mr Richard Berry Sir. Your report on the pro-

NVQs and sales professionalism

fessionalism of salespeople, or lack of it, ("Unloved and incompetent", August 25) is, sadly, largely true. The Kinnaird survey findings are simi-lar to those of the Sales Qualifications Board's survey. published last year at the launch of the first sales NVOs.

Apart from the self-employed sector, total employment costs, last year, of the UK's 400,000 salesmen and women, were £11.8bn - 4 per cent of their companies' total sales revenue and, in many cases, their largest overhead. Our survey showed that less than 5 per cent had any recognised qualification in selling and that none of these qualifications were to any nationally agreed standard of competence.

The sales NVQs now on offer, have been designed not just to focus training on the essential competencies required of salespeople in any industry, but to give sales-people the opportunity to be part of a recognised profession. More than 300 companies have embarked on the process

of becoming assessment centres for sales NVQs, which shows that the industry does recognise the problem. Richard Berry, Sales Qualifications Board, London, WC2 9DP

Fundamental revision of water charging is required

From Dr Alan Holmans and Mrs Stephanie Holmans. Sir, Professor John Kay (Per-

sonal View: "Clever trick but the cracks remain", August 16) pointed out that a large part of the water industry's present investment programme comprises environmental capital expenditure.

Householders are not simply paying for water and sewerage services, as they are for gas and electricity supplies. They are also paying for purer water and cleaner rivers and beaches. In this respect water charging is fundamentally different from

gas and electricity pricing. It is the principal reason why there are "inflation plus" price limits for the water companies, as against "inflation minus" for British Gas and the regional electricity companies. much larger inter-regional disparities in water charges than in the charges of other utili-

Water charges have to cover two separate sets of capital expenditure - to meet a growing demand and improve security of supply, and to produce environmental benefits. The former is the normal activity of a utility, similar to that of the gas and electricity industries. Environmental benefits, however, are "public goods" (available to all, whether or not they have paid for them). Ideally, public goods should be tax-financed. But water charges contain a large compulsory element, because water is a natural monopoly with no real substitute and is also a neces-

If the environmental compo-

treated as a *de facto* tax it per-forms poorly in terms of accepted tax principles. There are arbitrary geographical disparities. Because most domestic water charges still depend on the former rateable values. their incidence is regressive. Rate rebates mitigated the

> rates. There is no similar scheme for water charges. When rates were the local tax, the rate support grant system included an equalisation element to produce equal rate poundages for equal expendi-ture, in relation to need, across all authorities. The costs and finances of purer water and cleaner rivers and beaches should also be equalised nationally. Present arrangements produce pooling within each water company's terri-

regressiveness of domestic

for large arbitrary differences in individual water companies environmental expenditure and water charges which are not compatible with principles of equitable taxation. Amendments to the 1989 legislation would be needed if

and historical factors account

water charges were to be split into two parts. The "tax" component of water charges should based on national equalisation of environmental costs and finances, it should also be related more closely to the ability to pay, via a rebate scheme. The charges for water utility services, on the other hand, could continue to be determined by Ofwat within the existing regulatory framework.

Alan Holmans Stephanie Holmans. tory. Different geographical | London SE3 9BL

Warming

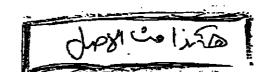
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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday August 29 1994

Banking on Mr Kohl

The clouds have started to lift over the German economy during the past six months, and Mr Helmut Kohl has been making the most of the sunshine. At the beginning of the year, the chancellor was trailing in the opinion polls. However, a more vigorous than expected economic recovery and mistakes by the Opposition have increased the chances that Mr Kohl and his centre-right coalition will retain power in the October 16 election.

The government now predicts 2.5 per cent growth in Germany this year, a percentage point bet-ter than projected in January. Increased business optimism is the main reason why the coalition has forged nine percentage points ahead of the Social Democrats in latest opinion polls.

Mindful that no postwar German chancellor has ever lost his job as the direct result of a general election, Mr Kohl is exploiting the authority of 12 years in office but his party should avoid the temptation to campaign on personality colt rather than policy. He has reasserted his Christian Democratic Union's hold over the political centre and headed off the once-acute danger from the far

Mr Kohl's SPD challenger Mr Rudolf Scharping is in a less comfortable position. Mr Scharping has lost credibility since his revelation in March of proposed tax increases on middle-income

Moreover, Mr Scharping has to contend with two parties to the SPD's left, the Greens and the Party of Democratic Socialism, the former East German Communist party. These groupings are not only rivals but also notential allies of the SPD. Mr Kohl has ruthlessly played on many voters' fears that a vote for the SPD could be a vote

East-west gulf

In view of visceral anti-communism in west Germany, this is an effective tactic, but it also risks accentuating the gulf between west and east Germans. Across united Germany, the Christian Democrats' chief elec-

As underlined by the party's manifesto and yesterday's rally in Dortmund the CDU's campaign will draw heavily on opportunities

Global warming

take decades to establish whether house gases" in the atmosphere will cause the planet to warm up - is right. But while the probability of severe climate change seems low, the disruption that could ensue, particularly to food production, is great. At the Rio Earth Summit two years ago, more than 150 governments felt that the risk justified immediate measures to curb greenhouse gas emissions.

That task is not proving easy. The Rio convention, one of the world's most ambitious environmental treaties, requires developed countries to make plans to bring emissions of "greenhouse gases" back to 1990 levels by 2000. It also asks developing countries to restrain carbon dioxide emissions by promoting energy effi-

highlight the convention's shortcomings. First, many developed countries are likely to overshoot the 2000 target by at least several per cent; the European Union is a prominent example. Governments of industrialised countries appear to have reckoned that recession. together with some easily-achiev-able improvements in energy efficiency, would curb the growth of emissions. But they have found that the recession deterred invest-ment in energy efficiency, and that growth has now picked up more quickly than they projected.

Developing countries

ducked the question of whether developed countries should pay developing ones to curb their emissions. Although governments from industrialised countries have pledged up to \$4bn over the next three years to the Global Environ-

to portray the chancellor as leading international statesman If re-elected, Mr Kohl will have to turn much attention to international affairs. A large part of his domestic popularity stems from his commitment simultaneously to widen and deepen the European The next German government's

main preoccupation will remain the economy. With real incomes squeezed by unification strains, the recent economic improvement is mainly due to sharply higher exports. German industry has regained competitiveness more quickly than expected through heavy cost-cutting. A negative side-effect is that large-scale structural unemployment is now starting to look durable.

Tax burden

On the fiscal side, overall taxes and levies in Germany account for about 47 per cent of gross domes-tic product, higher than any other big industrial country apart from France. Keeping German fiscal policy on track towards the Maas tricht targets and diminishing the tax burden will be top policy priorities. Whichever government emerges after October will have to maintain rigorous public spending control for several years.

These tasks at home and abroad represent an exacting agenda. The Christian Democrats' reliance on the man who steered through unification is understandable. But even more than a strong chancel-lor, Germany needs a well-balanced governme

Furthering the impression of Mr Kohl's dominance could also detract from the electoral performance of the Christian Democrats' junior coalition partners, the Free Democrats. A poor score for the Free Democrats on October 16 could still force an outcome Mr Kohl and Mr Scharping have both said they wish to avoid – a grand coalition between the Christian Democrats and the Social Democrats, which probably would not be in a position to deliver decisive

leadership.

Mr Kohl bas broad shoulders, but for the CDU to concentrate its campaign unduly on his personaltion where the focus on a single personality obscures the search for the right policies is not what Germany needs.

the scientific hypothesis - that rising concentrations of "green-

Representatives of those governments are now meeting in Geneva to debate how to turn the Rio pledges into a workable plan. The two-week conference lays the ground for the first formal review of the convention next March in Berlin, when signatories will decide whether the agreement is adequate to combat the threat of global warming.

Last week's debate served to

Second, the convention largely ment Facility, a UN-backed envi-

The threat of global warming presents policymakers with peculiarly difficult problems. It may convention is silent on goals beyond 2000.

In developing more effective measures, governments should start with a co-ordinated removal of subsidies to fossil fuels. Such subsidies are largest in countries, such as the US and China, which will contribute much of the world's carbon dioxide emissions in the next few decades.

Nuclear power Governments should also con-

sider expanding the role of nuclear power. However the only region now warmly embracing nuclear power is Asia. Develop-ment of civil nuclear programmes has virtually halted in the US and Germany, and may in the UK.

Another priority is to give sup-port to proposals for "joint imple-mentation" - a formula under which developed countries could fulfil the target's requirements by helping developing countries curb their emissions. These plans are controversial. Many developing countries argue that developed countries have created the fureat of global warming, through their past emissions, and that they should bear the burden of averting it. The plans have also aroused unease in developed countries, since they imply extensive transfer of technology, through trade and aid. Their attraction is that they would help allocate funds efficiently, and could open the way to more ambitious targets for the next century than would be possible if curbs were applied in

developed countries alone.

These steps, which are necessary if global warming is to be tackled convincingly, are uncomfortable. That discomfort, however, has one benefit: it will encourage governments to continue to assess the need for the targets in the light of emerging

scientific evidence. Environmentalists may see that process as a threat to the hardwon ground of the Rio convention. This attitude is wrong. Policy made against a backdrop of scientific uncertainty needs to be refined repeatedly if it is fully to reflect not only the scale of envi-ronmental risks but also the sizeable costs of combatting them.

r Ian Cooper strug-gles to contain his excitement. "It's as though there is no tomorrow. Business is colossal. We can't accept orders until the New Year."

The chairman of Cooper Clegg, a Gloucestershire colour printing business, has not seen anything like it since starting the company 10 years ago. This year he is spending 17m on machinery but the company will still not meet demand. Next year, capital expenditure should double.

"We weren't slow in implementing an investment programme but we underestimated the strength of the recovery," Mr Cooper empha-

"Big holiday companies wanting 1995 brochures are placing contracts elsewhere in Europe because there is no capacity here. It's like the bad old days when the UK lost out because it couldn't cope with nand," he adds.

Mr Cooper's words will cause concern among those anxious that the vision of sustained recovery offered by low inflation, cheap money and steady growth could be under threat. They fear that, with retail sales rising, manufacturers' stocks falling and spare capacity dwind-ling, British industry's failure to spend soon enough and widely enough to replace capacity lost during the recession could again spoil a ascent upturn.

The nightmare - a depressing replay of Britain's economic record - would be a manufacturing sector unable to meet demand, mounting supply constraints, rising inflation and another upsurge in imports.

So far at least, the pressures experienced by Cooper Clegg appear rare. But given increasingly opti-mistic growth forecasts for the economy this year opinion remains divided on whether another boombust cycle can be avoided. Although the government is predicting only a modest 2.75 per cent growth in GDP this year, GDP in the three months to June was 3.7 higher than the same period last year.
Mr David Mīles, UK economist at

Merrill Lynch, says that, given the accelerating pace of economic growth, investment activity must rise rapidly in the next two years if industry is to avoid overheating. But Mr Michael Saunders, UK

economist at Saloman Brothers, is not alone in identifying an investment pick-up on a scale which should be sufficient to avoid severe capacity problems. He also makes the point that the more flexible labour market which now exists might succeed in avoiding a repeat of past shortages of skilled

Last week's official figures from the Central Statistical Office, which show a long-awaited rise in manufacturing investment during the second quarter of 1994, mirror other surveys by business organisations indicating an improvement in companies' investment intentions. This mism, though the pattern of investment spending remains volatile and there have been statistical "false starts" in the two years since the

While the latest Confederation of British Industry industrial trends survey for the three months to July indicated rising investment optimism within the motor industry and among building material producers and electronics companies. the picture was much less buoyant within the aerospace, chemicals. and food and drink sectors.

Even if a patchy upturn in capital spending is under way - fuelled by growing confidence, rising profits, low capital costs and increasingly healthy corporate balance sheets there is much lost ground to make

Since investment in UK manufacturing, which accounts for about 12 per cent of total UK investment, peaked in 1989 it has fallen by almost one third, bringing it to its lowest level, as a proportion of gross domestic product, for more than 30 years.
The collapse in investment may

not, however, have been quite as bad as first appears. Part of the fall

As the UK economic recovery gathers pace, are manufacturers investing enough, ask Michael Cassell and Gillian Tett

Feel the quality, not the quantity

machinery and property. The decrease may also mirror a growing tendency among manufacturers to contract out work which is then classified as service industry expen-

Yet nobody is making light of the decline. In the machine tools sector, capital investment "fell off a cliff during the recession, according to the Machine Tool Trades Association. In 1990, UK machine tool makers were spending a total of £34m a month on new plant and equip-ment, a figure which dropped to £14m by March 1993. It is now back to only £20m.

The reluctance of many companies to sanction fresh capital expenditure follows the mauling they received during the recession and the need to rebuild balance

Mr Robert Barrie, UK economist at stockbrokers BZW, points out that much of the corporate sector remains highly debt conscious and is still repaying debts incurred in the 1980s. Companies are still reluctant to borrow more from the banks. But the availability of cash from within increasingly profitable companies may well help finance a significant expansion in investment programmes, he added.

Cash, however, is not the only factor. Mr Eddie George, governor of the Bank of England, has repeatedly warned that the refusal by companies to adjust investment criteria in the face of low inflation and cheaper finance is frustrating badly needed investment.

A recent CBI survey of investment criteria found that most UK companies were insisting on payback periods of two to three years or a return on capital of at least 20 per cent - or both. Taken at face value, such expectations exceed by a wide margin the investment performance required by many of the UK's manufacturing competitors.

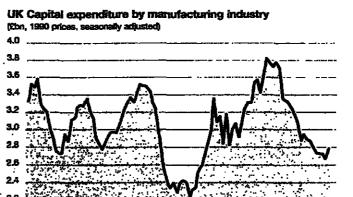
The Bank's criticism of compa nies' stubborn insistence on high investment returns is angrily rebutted by much of the corporate sector itself, which insists that the crucial factor limiting investment is expected demand. But it is clear that the government faces a difficult task in persuading companies to share its

There is still a great deal of cynicism over whether inflation has been licked. Living with it has become a way of life and industry will need to see it stay low for a long time before they change their approach to investment," says Lord Weir, chairman of Weir Group, the Glasgow-based engineering busi-

"Who can blame people for not investing? In the paper-making business they've faced rotten demand and rotten margins and now confront pressures on raw material prices," says Mr John Lloyd, managing director of Portals, the international bank note and specialist paper maker which has bucked the trend by recently investing £19m in new machinery to safeguard its market.

Serious and widespread supply bottlenecks still appear some way off, despite CBI hints that a few are on the horizon. Many general engineering companies, in particular, are still reporting under-used capacity. Indeed, current order books for UK machine tool makers show that while their overseas sales are rising rapidly as companies expand and update equipment, domestic order UK manufacturing: could do better





Gross fixed capital formation

books remain worryingly flat. While companies such as Weir sion in high-technology equipment grammes throughout the recession, much of the emphasis has been on improving manufacturing competitiveness and efficiency rather than on additional capacity.
It is the quality of investment

which is going to matter most," stresses Mr Kevin Gardiner, UK German companies

have long had more effective long-term capital investment programmes than their UK counterparts

economist at Morgan Stanley. "It would be much more desirable to have an increase in investment focused on those industries in which the UK has a chance of boosting market share than a massive, across-the-board binge that leads back to another volatile swing in the business cycle."

The quality-before-quantity strategy is echoed by other companies like Devro, the Scottish-based sausage casing manufacturer, which has invested throughout the reces-According to Dr Graeme Alexander, Devro chief executive: "In bad times, too many people take too short-term a view and just cut costs. But you mortgage your future if you cut costs on technological development." FKL the Halifax-based electrical

engineering and electronic components group last year raised its capital spending programme to £20m and this year will spend nearly £27m. Mr Bob Beeston, FKI chief executive, says raising capacity has not been the priority: "We have, for example, introduced computer-aided design equipment to help improve the throughput of engineering designs onto the shop floor and spent resources on improving environmental standards." Earlier this year, FKI paid nearly

£26m for Rhombus, a German castor manufacturer which had become vulnerable to takeover in part because of a big capital spending programme on plant which was heavily under-utilised during of the ion. "Investing for capacity is not the only game," Mr Beeston But despite occasional strategic

errors by German companies, they

have consistently pursued more effective, long-term capital investment programmes than their UK counterparts, giving them a vital competitive edge over UK manufacturing in world markets.

In launching the government's drive to improve British industry's competitiveness earlier this year, Mr Michael Heseltine, trade and industry secretary, warned that UK manufacturing productivity was 25 per cent below that of its main European rivals

The pattern is repeated when it comes to capital investment. Although international comparisons are difficult, figures suggest that UK investment, in relation to GDP, is not only consistently lower than in countries such as Germany. France and Italy but has been far more erratic.

The performance has been in part responsible for a decline over decades in Britain's share by volume of world manufacturing exports. It stabilised, however, durless than half that of Germany.

'An investment recovery is under way but the real concern is the continuing, chronic problem of low investment, which the cyclical upturn in capital spending is not going to resolve," says Mr Ian Thompson, chief economist at the Engineering Employers' Federa-

"Britain simply does not have a manufacturing capacity of sufficient breadth and depth to make it fully competitive. The government must take steps towards changing the anti-investment bias built into corporate taxation.

T he view is shared by organisations such as the British Chambers of Commerce, which wants investment programmes in excess of five years duration exempt from capital gains tax. The CBI, too, wants reform of capital gains tax in the belief that investors would be more inclined to take returns in the form of capital gains, thereby relieving pressures on com-panies to pay high dividends.

The CBI is also calling for a more generous system of capital allowances and cuts in corporation tax to make available higher levels of

retained earnings for reinvestment. As Mr Kenneth Clarke, UK chancellor, assembles his 1994 budget plans, he will be left in no doubt that extending a helping hand to investment is high on the wish-list of a manufacturing sector that has to haul itself up into the first divi-

But with such pleadings now part of the perennial, pre-budget lobbying Treasury ministers will be equally keen to emphasise the role which industry itself must play in solving its own structural problems. They continue, for example, to point the finger at high dividend payments as one obstacle to higher

The CBI is also pursuing its joint the short-termism which business says has frustrated long-term investment in fixed capital, research and development and

Mr Nick Kuenssberg, managing director of Dawson International. the knitwear and clothing group, also wants government help, but of a different kind.

"I would like it to get a grip on itself. If they want the feel good factor to return they must show they are really in control, that they did plan the recovery and that they will support the marketplace. We have low inflation and low inflationary expectations; to even hint of an increase in interest rates now is completely nuts."
Like any sensible businessman,

FKI's Bob Beeston is not going to reject any beneficial changes in taxation or capital allowances. But he adds: "It is, in the end, up to a company to keep its eye on the ball, look after its customers, think ahead and make enough profits to invest for the future. It is the corporate culture that needs changing; Britain has some damn good manufacturing companies but nothing

OBSERVER

Publish and be praised

André Schiffrin is a worried man. He fears for the future of publishing, writing, and literary culture in general.

"This is guerrilla warfare." is how 59-year old Schiffrin refers to the function he sees for his US publishing house, The New Press. Fed up with what he sees as the onward march of selling books like soapsuds, he thinks it time for a riposte.

His father Jacques – a French
emigré – co-founded the US

publisher Pantheon in 1942. Pantheon built itself a great name by publishing everything from Jean-Paul Sartre to Monty Python. Pantheon's managing director, its owner, Random House, put the squeeze on, demanding Schiffrin publish fewer books with fatter

He walked out, taking a sprinkling of well-known writers including Studs Terkel - with him. Schiffrin wasn't against profits; just profit-making as the only criterion of publishing success.

profits.

"Big US publishers now won't touch a book unless they have guaranteed sales of 20,000 copies. even though they can break-even at 5,000. On that basis Chomsky or Foucault wouldn't ever have been published," says Schiffrin.
The New Press, a non-profit

organisation backed by several US foundations, is now four years old. Ironically, some of its titles have proved unexpected best-sellers, including 50,000 copies sold of May It Please The Court, live recordings and transcripts of the US Supreme Court. The Court got very cross about the publication, thereby giving it a market stimulus.

Having now just signed a big distribution deal with UK publisher I B Tauris, Schiffrin thinks his guerrilla campaign is making readway. "We might even break-even this year," he says with a smile.

Airy garbage

■ An anguished FT reader recently flew with the Dutch sirline KLM, or rather, didn't - KLM cancelled the flight at the last moment.

Following up his complaint was a long-winded two-page response from Mrs E Villanueva, KLM's manager of customer relations. She assured the disgruntled passenger that KLM has "strengthened our Flying Dustman programme". Rather puts the lid on the moaning.

Force alarm

Migerian fraudsters, ever on the lookout for methods by which to separate businesses from their money, are gaining in

(BAWX)

This time, the Presidential Task Force on Debt Repayment' - no less - has been contacting ITK

companies. The PTFDR fax enjoins addressees to send all financial details within 48 hours, promising their monies will be repaid. Failure to reply will lead to cancellation of

Needless to say, no such official taskforce exists - but it is a handy way of obtaining information and signatures and hence, potentially,

Mike Turner, the overseas trade manager of Birmingham's Chamber of Commerce who has blown the whistle on this and other such

wizard scams, reckons that, if only the schemers had dreamed this one up in the early days, it would have done very nicely indeed. Back to the drawing board please.

Silvio lining

■ Yet another plaudit comes the way of Silvio Berlusconi, Italian prime minister and media magnate. He has just been voted "International Marketing Superstar" - one of 44 such individuals - by US trade mag Advertising Age International. thanks to his using "everything he knew about television, advertising and public relations to create the charismatic image that propelled him into office".

Marketing gimmicks are going to come in very useful over the next few months. His latest message to the nation – "sacrifices will be necessary" if Italy is to avoid "bankruptcy" - will certainly take all his creative selling powers. Of course all the best salesmen sugar the pill somehow; wonder what he will come up with?

Rum Cuban

■ Expensive things, these mass exoduses. The Pentagon has done some sums and calculates that the US taxpayer will need to stump up an extra \$240m a year to run an expanded refugee camp at

Guantanamo Bay Naval Station. The base sits on 32 acres of Cuban land, leased by the US since 1903 for the equivalent of fractionally more

than \$4,000 annually.

The extra lolly will go towards doubling the capacity of the camp where 14,500 Haitian refugees are already squatting alongside Cubans – to 40,000. Heaven only knows what might

be the further cost of hosting the hardy thousands who have actually stepped ashore in Florida; more than 20,000 have been picked up by the US coastguard in August.
Of course, with Cuba's annual per capita income most recently estimated by the World Bank at between \$500 and \$1,500, Bill Clinton might think cash better spent by dropping it over Havana from a low-flying aircraft. Better still, why not put

Greed kills

■ Those of Lloyds' victims who can still afford to run a shotgun are sporting a new fashion on the grouse moors this summer.

Guantanamo's \$4,000 towards

cutting the federal deficit?

Underneath their plus-fours, they are wearing shooting stockings emblazoned with the words "Damn" and "Lloyds", c/o an enterprising firm called Nicholl Knitwear, based

in Corbridge. Meanwhile, the grouse are wearing T-shirts saying: "The one behind is fatter."



FINANCIAL TIMES

Monday August 29 1994



De Beers sucks up a fortune in gems from its floating mine

Seventeen nautical miles off the coast of Namibia, armed with of place in a science fiction novel, De Beers is vacuuming diamonds from the seabed 125 metres

The South African group, which dominates the world's diamond business, is pushing mining technology to the limit, to explore for and recover tens of thousands of very small precious stones scattered across hundreds of square kilometres of seabed.

The Debmar Atlantic, a converted oil exploration vessel, has been turned into a floating diamond mine. It sucks up tonnes of material a minute from which the diamonds are sorted. Then, for security reasons, the diamonds are canned on an automated production line, with techKenneth Gooding sees diamonds vacuumed up from the seabed

peaches and pineapple chunks. Each can is filled with a mixture containing up to 1,900 dia-

De Beers Marine, a wholly owned subsidiary of the group, is the only company operating at these depths. The stones in these Namibian waters are 60m years old and may have travelled 1,500km, washed down the Orange River by thunderous downpours in the Transvaal. To locate the diamonds, De Beers meticulously sampled an area as large as Holland. Only

the most durable diamonds sur-

nology most commonly used for Graham Rees, DBM's general

Nearly every diamond recovered is of gem quality, which is what makes the considerable expense of fishing them out of the sea worthwhile.

DBM has spent about \$200m to buy and convert its seven vessels. More than \$50m has been spent exploring since 1991. A vessel such as the Debmar Atlantic costs about \$6m a year to operate. Even so, the sea mine costs far less than the \$500m it would take to create a diamond mine on

The Debmar Atlantic uses a vived the trip, according to Mr huge drill to get at the stones. A

ter vessel, the Louis G. Murray, is using an undersea robot crawler, as big as a truck, with hydraulic drills operated electronically from the ship.

Last year DBM sucked up 302,754 carats of diamonds from the seabed, 16 per cent more than in 1992. This year the seabed is likely to yield even more carats, according to Mr Rees.

It is impossible to say how much the seabed diamonds are worth. But DBM's production last year was about one-third of Namibla's diamond output in carats and certainly more than one-third in value. More floating mines off the coast of South Africa and Sierra

De Beers changes terms, Page 17

Leone are planned.

Calculating Kohl stirs party faithful

By Christopher Parkes

Chancellor Helmut Kohl of Germany summoned more tears than cheers with a calculated, emotional election speech to 17,000 Christian Democrat (CDU) party workers in Dortmund yesterday. No mean hand at jokes and mudslinging, he left most of the dirty work to his lieutenants.

Mr Theo Waigel, leader of the CDU's sister party, the Christian Social Union, warmed things up with a hatchet job on the Social Democrats' would-be finance minister, Mr Oskar Lafontaine. And Mr Norbert Blum, Mr Kohl's fiery labour minister, sent the crowd home committed to driving out the red peril.

In between, Mr Kohl began the

party as the only guarantors of a secure future for Germany – and

While his cohorts had given the opposition SPD a fresh coat of red paint, damning them as

"Our connection with America is the decisive factor for the peace and freedom of the Germans," he said. However, the main body of his speech was devoted to internal relations, on which his fourth fellow travellers with the Party

Kohl pledge on defence spending

Editorial Comment

of Democratic Socialism, successor to the east German communist party, Mr Kohl was more thoughtful. He drew heavily on four years of historic change, which had propelled Germany into a new role in world affairs. Correcting a blunder he made last week, he included Moscow in the list of world capitals with

which Germany had built sound

campaign for the chancellor's job may yet stumble. "It now remains for us to com-

plete the fulfilment of our dream of German unity," he said. The divisive terms "Ossi" and Wessi" had to be driven out of the public vocabulary. The west had to accept how difficult it was for easterners to adapt after 50

dialogue with Mr Cárdenas, out-

going President Carlos Salinas

said in an interview last week:

"It's important to have the pres-

that participates in politics and social development. I trust that

Mr Cárdenas, who participated in

the reforms of past years, will continue to contribute in the fol-

that unless electoral conditions

egitimate way of transferring

However, Mr Cárdenas warned

much better off they now were. According to weekend polls, the CDU-CSU would gain 41 per cent of the vote, one more point than a month ago. The SPD is unchanged with 36 per cent; the FDP has 6 per cent and the reens are on 9 per cent

Much may depend on the remaining 8 per cent who support one of 17 other parties registered for the election. Half of these voters support the PDS.

But Mr Kohl was reserving most of his fire yesterday. He appeared content that his message - that Germany had found its place in the world and needed him to maintain it - had come across clearly. "Do our duty," he finished and while the cheers came only slowly, the crowd's

Mexico's left warns against of IRA violence after election defeat

Mr Cuauhtémoc Cárdenas, presidential candidate of Mexico's main leftist opposition party, urged his supporters at the weekend to avoid violence following the presidential election, which he has denounced as

Mexico City's central square, Mr Cárdenas took a more conciliatory line than early last week. He modified his previously strident rhetoric, warning his supporters not to be provoked into clashes that could lead to bloodshed.

The governing Institutional Revolutionary party won the August 21 election with 50.2 per cent of the votes that were not annulled – or 48.8 per cent of all votes cast - according to official results based on more than 90 per cent of returns. The centre-right

Europe today

It will be cloudy and rainy over northern France and the southern UK. It will also be cloudy elsewhere in western Europe. Local showers are likely over the northern UK and Germany, with more general rainfall in southern Scandinavia. An active cold front will result in thunderstorms over the Balkan states and northern Greece, with the heaviest thunderstorms forming near the northern slopes of the Carpathians. Ahead of the front a surge of warm air will result in more sessonal conditions over much of southern and central Russia. Most of the

Mediterranean countries will enjoy sunny and

Conditions will be unsettled over western Europe. Strong winds are expected over the UK but it will be calm and sunny in France. except for the northern regions. But during the weekend, a cold front will result in rain and mountain thunder. Heavy thunders will move east from the Balkan states bringing calmer conditions to south-eastern Europe. Spain and Portugal will continue warm and

ond with 26.7 per cent of valid votes, with Mr Cárdenas's Party of Democratic Revolution trailing in third at 17.1 per cent.

Mr Cárdenas has claimed that

many of his supporters were deliberately left off voting lists and that those from the ruling party were allowed to vote sev-

such allegations, although in his speech he proposed to establish a series of regional "truth commissions" to examine electoral fraud. The softening of Mr Cárdenas's

position follows divisions in his own party on how best to respond to defeat. While hard-liners have urged massive protests, moderates have warned that this would further damage the party's public image and deflect from the task of rebuilding and moving to the political centre.

"We are not afraid, but we

Hopes rise ceasefire

Continued from Page 1

some conciliatory gesture. Republican leaders would hope that this pressure would in turn put the governments' united front under fresh strain.

A series of meetings between Mr Hume and Mr Adams from April last year, was one factor

of the Downing Street declaration in December last year by Mr John Major, the British prime minister and his Irish counterpart, Mr Albert Reynolds.

Féin a seat at the negotiating table in the event of a permanent IRA ceasefire, and an eventual simultaneous referendum in both parts of Ireland on a future constitutional arrangement for the

sation that, in current conditions, would inevitably wear us out and exhaust both us and society," Mr Cárdenas said at Saturday's In a sign that he is open to

Page 13

peace process. It was followed by the signing

The declaration offers Sinn

were fairer for his party, his sup porters would not vote in future elections. Without democratic opening, he said, the electoral process could not be considered a

lowing years.

FT WEATHER GUIDE

TODAY'S TEMPERATURES

Five-day forecast



Rain or shine. We can get your there. Lufthansa

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THE LEX COLUMN

Grid's golden shares

The UK electricity sector is charmed. As if a benign set of price caps, share buy backs and takeover rumours were not enough, now comes the news that the regional electricity companies should be able to demerge their holdings in the National Grid without paying a penny of tax. The government is, of course, absolutely right not to use its golden share to extract a hefty tax payment. But many in the market had been expecting the Treasury to demand its pound of flesh. Now it looks as if the recs will be able to pass the full £4bn-£5bn value of the grid through to their shareholders.

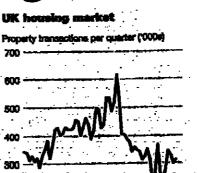
The recs could still spoil the picture if they kept the proceeds from the sale for themselves rather than handing the shares directly to investors. They could then be liable for capital gains tax. But the recs seem less keen on hoarding cash than they did in the spring. Moreover, the political row over the grid reinforces the point that they should transfer value to investors now. A cash pile would be too easy for an incoming Labour government to

The recs may not have everything going their way on the tax front. It looks as though the Treasury will profit as share buy-backs gather nomentum. Last week's share purchase in the market by Seeboard will certainly incur tax. Norweb's plan for an off-market tender would be better for tax-exempt investors, but authorisation from the Inland Revenue does not appear to be automatic. While recs could achieve a similar effect by pay-ing mega-dividends, that would be a red rag to their political critics.

Rec share prices should continue to be underpinned by their ample scope to cut costs, reshape their balance sheets and deliver value from the grid. The main risk is that some managements may not pursue these oppor-tunities with sufficient vigour. That said, high share prices in themselves as a reflection of high investor expec-tations - should help keep them on their toes. Any slackness would be an invitation to predators.

US telecoms

One of the reasons many Baby Bells piled into the UK cable television industry in the early 1990s was to gain experience for the time when they would face competition back home from cable companies. That time has now arrived. The exact nature of the competition will be influenced by the details of the telecoms bill that



emerges from Congress. But even if Congressional wrangles over health care kick the telecoms bill into touch, competition in the "local loop" seems inevitable. Rivals are already able to set up shop in the biggest markets, including California and New York. Legislation at the federal level would

merely hurry up the laggards. So far cable companies have taken only tentative steps into the \$100bn local telephone market. In part, this is from a desire to influence the pace with which the Bells are allowed to enter their markets. It would be hard to maintain that the Bells should be kept out of TV if they were pushing aggressively into telecoms. But the temptation of adding telephone revenues to their cable subscriptions will eventually be too great to resist. As the UK cable industry has found, having two revenue streams transforms

Similarly, the Bells cannot afford to be left out of cable. True, cable generates only a quarter as much revenue as local telecoms. But the Bells are keen to invest in fibre optic networks. And while a gambler might hope to recoup such investment by providing "multimedia" services, the inclusion of more predictable TV revenues would cut the risks. Again what Washington decides will mainly be a tidying-up job. Two Bells have already won the right to provide TV.

In the coming fight, the cable companies seem to have the stronger hand. Not only are they more entre-preneurial. They are also less regu-lated. But the Bells have strengths too, most obviously huge financial resources. As the battle is joined, further mergers between cable comp are likely. More alliances between Bells and cable groups are also possible. A trend to marry the two indus-

tries ground to a halt early this year when regulators cracked down on cable charges. But once the regulatory fog clears, the business reasons for combining forces will look powerful.

Estate agents

Financial institutions still toiling to make a profit in estate agency must be taking a long hard look at their recsons for persevering. While building societies hide the operating performance of their agencies within group figures, evidence from the quoted insurers suggests the going is still tough. Royal Insurance's 480 offices lost as much in the first half of this year as in the same period last year; General Accident's chain lost slightly

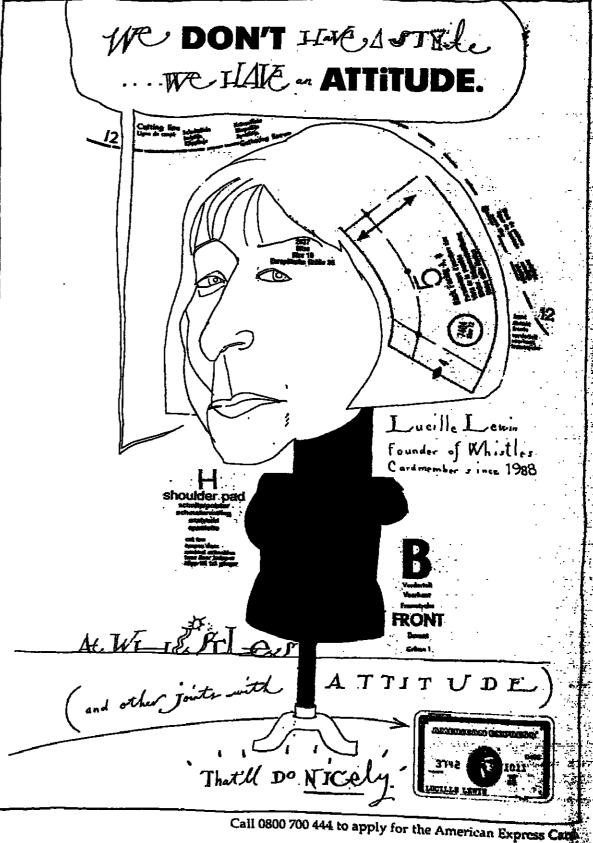
Neither is the outlook encouraging The number of house purchases per month has fallen steadily since the spring. Total transactions this year now look likely to be around 1.3m -only a shade higher than in 1983. While that would be far below the 2.1m peak reached in 1988, it is only some 20 per cent below the average of the 1980s and there is little reason why turnover should increase. So long as house prices remain stable, firsttime buyers will not feel under pressure to scramble on to the bottom of the housing ladder. The prospect of rising interest rates is another reason for caution.

Since house prices have fallen and commissions are under pressure, estate agents' income has been squeezed harder than the transaction figures suggest. Unless transactions increase significantly, it is difficult to see why customers should stop haggling over commissions. Despite the shake-out through recession with the number of estate agency offices falling by perhaps a quarter -overcapacity is at the root of the

Banks and building societies which distribute mortgages through their estate agencies have a more obvious reason for persevering than insurers. But that did not dissuade Abbey National from selling out last year or Bristol & West from shrinking its chain last week. Selling financial products through estate agencies has been far more difficult than hoped. Widening the range of financial products on offer might help at the margin. But estate agents which have not been covering their costs this year should not count on the housing market for

his week: Con

arough aide



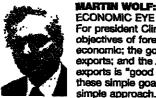
Monday August 29 1994

MARKETS



BRONWEN MADDOX: GLOBAL INVESTOR In suggesting that banks should reveal more about their use of volatile financial instruments, US bank regulators and congressmen have struck a popular chord. However they may have set themselves an impossible task.

There is little sign that the methods they are considering will prove useful; some may, in fact, prove counterproductive. Page 18



ECONOMIC EYE For president Clinton, the chief objectives of foreign policy are economic; the goal is increased exports; and the benefit of those exports is "good jobs". Along with these simple goals goes an equally simple approach. The administration wants results, above all from Japan.

The Bundesbank's "interest rates horizon" - which Mr Hans Tietmeyer, the bank's president, described in May as "clear for some time" - is beginning to look a long way away. There is a growing consensus among Frankfurt economists that the next discount rate change is unlikely to come until after the federal elections in October. Page 20

Whatever the cause of last Wednesday's surprising 70-point surge by the Dow industrials, it has sparked what may turn out to be a long upturn in share prices.

UK market analysts have turned their attention from interest rates to corporate earnings and dividends, about which they are optimistic. Page 21 EMERGING MARKETS:

After a burst of activity earlier this month, China's fledgling stock markets have slid back under the weight of negative economic news. Page 18

CURRENCIES: Foreign exchanges will focus this week on

Thursday's Bundesbank council meeting which will help investors decide on the outlook for European interest rates. Page 19

COMMODITIES: Anticipation of the expiry of labour contracts on

Wednesday at Falconbridge of Canada, has been one of the few constructive factors for the nickel market in recent weeks. Page 18

T&N, the UK engineering group, is believed to be in talks with Metallgesellschaft over the potential acquisition of the troubled German giant's 47 per cent stake in vehicle components maker. Page 16

INTERNATIONAL COMPANIES: Oerlikon-Bührle, the Swiss weapons, engineering and retailing group, has forecast a "clearly improved" operating result. Page 17

ESTATISTICS:

FT Guide to currencies 19

Managed funds Money markets 27/25

deputy chairman, says that if the DMFT's South African parent.

By Kenneth Gooding,

Anglo-American Corporation, South Africa's largest group, hopes to double the turnover of its Del Monte Food International arm through a merger with a European foods company. Anglo, which is heavily depen-

merger, due to be completed in three months, goes ahead it will double DMFT's annual turnover to £1bn. He hopes organic growth will add another £500m.

RJR Nabisco, but was sold off piecemeal - the fresh fruit business going to Polly Peck, for example. Anglo and South Africa's Royal Foods acquired DMFI for £360m (\$560m) from a management buy-out. Anglo owns 28.5 per cent of Delhold, DMFI cans fruit and beverages

strongest markets are Italy and the UK. Mr Boustred says the potential merger would add strength in Germany and the Benelux countries.

The enlarged DMFI hopes to move into mainland China where Mr Boustred says there is a growing demand for fresh fruit drinks. It plans to build a beverage plant in Shanghai with a local partner.

The new VW Poto

a good hedge against the performance of the financial rand because most of its sales are in Europe. He reckons that the business is now worth £100m more than was paid for it even though

Mr Boustred describes DMFI as Zingaro, an Italian who has worked for Del Monte since 1965, has been installed as managing director and brought with him a team of European experts. Last year R25m (£3.62m) was

on the Johannesburg stock biggest plant of its kind, respon sible for 40 per cent of the country's canned fruit exports. Mr Zingaro says another R16m will be needed to continue the

spent upgrading the plant at Tul-bargh, which cans 70,000 tonnes of fruit a year. It is South Africa's

Flat 500 & Pan

Russians plan gold securities market

By John Thomhill in Moscow

The Russian government is backing plans to create a domestic securities market for gold bullion, aiming to establish an internal price for the precious metal and raising capital to develop one of the country's most important but troubled

industries.
Following an industry conference in Moscow last week, government departments, banks and mining companies plan to establish a non-commercial Gold Club to co-ordinate the industry's activities and create a secondary market for gold. Industry officials say the market could raise \$1bn for investment.

Preliminary proposals envisage the creation of a class of securities, similar to western gold warrants, denominated in grammes of gold and freely raded by legitimate investors. The securities would give their holder title to bullion held by the state although there would be no fixed redemption date. The market would set the official price of gold within Russia and would be used by the Central Bank and tax authorities.

The Gold Club has not yet worked out how this exchange would work in practice nor how soon. A founding meeting of the club will be held next month.

Russia's gold production has dropped sharply in recent years because of a lack of investment and modern equipment and a sharp increase in the price of electricity, fuel and transport. In 1993, Russia produced 150 tonnes of gold, well down on peak levels.

Last December, the government announced plans to restructure the industry and permit outside investment. Since then, two big deals worth more than \$300m have been struck but other foreign investors have been deterred by the risks.

Mr Valery Skripchenko, head of administration at the Russian Committee for Precious Metals aid there were still 'contradictions between a state which did not wish to relinquish its control of an important strategic sector of the economy and alternative investors who would not commit resources to a sector

under a permanent threat of nationalisation". Industry figures suggest that a gold securities market might rec-oncile the differing priorities of

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Del Monte seeks European partner

Mining Correspondent

dent on minerals, moved into the global branded foods market when it paid \$240m for its share Mr Graham Boustred, Anglo's

Del Monte used to be owned by

in Kenya and the Philippines as well as South Africa and its

exchange the shares are below the price at which they were

South Africa's 15 years of political isolation left the Del Monte plant in the country lagging behind internationally. Mr Carlo

Kevin Done reports on the German carmaker's efforts to catch up in an important race

New VW Polo enters a fiercely competitive market

W pins some big ambitions on a small car

everal thousand Volkswagen dealers from across Europe are converging on a Paris race course in the Bois de Boulogne this week.

It is not for a flutter on the horses, however, but for the high ssure launch of the new VW Polo, which the German car-maker hopes its dealers will soon be selling in sufficient numbers transform VW from an also-ran in west Europe's fiercely competitive small car market into a front-runner.

The VW group, which includes Audi, Seat and Skoda, may be Europe's biggest carmaker, but as an individual brand VW is ranked only third behind the Opel make (Vauxhall in the UK) of General Motors and Ford.

In the small car segment of the European market, VW was languishing in sixth place with the old Polo last year. As the car bumped along to the end of its life-cycle, its sales dropped by 39.8 per cent to only 186,000, according to Automotive Industry Data, the UK-based analysts. By contrast sales of the mar-

more than double Polo sales at 452,000, with the Renault Clio close behind at 441,000.

VW has a lot of ground to make up. Even though it will have the newest car in the market, it faces tough opposition with both GM and Fiat changing the shape of the Opel/Vauxhall Corsa and the Fiat Punto in the last 18 months. It is vital for VW to achieve a

breakthrough in this segment, where superminis (Fiesta, Corsa, Punto etc) and minis (Fiat Cinquecento, Flat Panda, Renault Twingo etc) account for 31 per cent of all the new cars sold in Europe. With the new Polo, VW dealers will be able to meet the competi-

tion on a more level playing field. Its predecessor was long overdue for replacement having been launched 13 years ago, and VW had never proved capable of meeting the demands of the market-place in this segment. VW's UK import subsidiary maintains that with the old model Polo, it could only cover 29

to cover virtually the entire market and offer for the first time a host of features common among rival models such as five doors, automatic transmission, anti-lock braking, power-assisted steering, driver and passenger airbags, air

electric windows. to new customers.

Mr Dieter Dahlhoff, director of marketing for the VW brand, says: "We want to make the new Polo into a real high volume model and to use it to open doors The group is aiming to increase

sales of the Polo to at least 350,000 in 1995 from the 186,000 achieved last year. Most of the output will come from VW's Spanish plant at Pamplona with output next year targeted to reach at least 1,040 a day on two Continued on Page 17

Total market 11.428m

Ford Escort etc.)

per cent of the market-place. With the new car it will be able ket-leading Ford Fiesta, were conditioning, central locking and housebuilders look forward to profits surge

By Andrew Taylor.

Pre-tax profits of UK housebuilders could rise by more than three-quarters this year and by almost another half in 1995 even though recovery in the housing market is likely to remain slow, according to a study

by Credit Lyonnais Laing.

The broker says margins will improve because housebuilders are selling more homes on the same overheads, have used up much of the expensive land bought in the late 1980s and early 1990s and have been able to remove many sales incentives used in the recession.

Longer term, the brokers are concerned about land prices which have risen by an average of 35 per cent across the country, according to a survey by Savills estate agents.

Credit Lyonnais says that housebuilders may have to accept reduced returns on capital if low inflation continues.

This follows warnings from Mr Eddie George, governor of the Bank of England, who says that industry and commerce risk missing profitable investment opportunities if they continue to

expect high returns. Land prices started to rise as companies restocked after the ession. Since February 1993 construction companies have raised more than £2bn (\$3.1bn) in share issues, of which \$650m has been identified for housebuilding. This is sufficient to build an extra 15,000 homes a year, about 10 per cent of the annual new build programme, says Credit

sebuilders' league, Page 16 the state and outside investors.

This week: Company news

VOLVQ

Cruising speed picks up after a rough ride

Volvo, Sweden's biggest manufacturer, will make its contribution tomorrow to a post-recession surge in half-year profits from Swedish companies when it announces its results for the first six

Analysts expect a pre-tax profit excluding capital gains – of between SKr‡-5bn (\$650m) as the car and truck maker rides a boom in sales, especially in the US, its biggest market, and Sweden, and cashes in on painful cost-cutting measures taken over the ast three years and the weakness of the Swedish krona. In addition, the pre-tax figure will be

doubled thanks to a SKr-Ibn capital gain mainly stemming from the disposal in April of Volvo's controlling stake in Cardo, an investment group sold to Incentive, an industrial arm of the Wallenberg family empire. The Cardo sale was the first major step taken by Volvo in its move to shed SKr40bn of non-core activities by the end of 1996 to strengthen its capital base.

The decision to refocus on its traditional vehicle making followed a wholesale strategic rethink carried out early this year following the traumatic collapse in December of a plan to merge Volvo cars and trucks with France's Renault. Investors will be looking to hear more from Volvo on its plans for the disposal of its two biggest non-core holdings - BCP, a food and drinks group, and its 28 per cent stake in

Pharmacia, the pharmaceuticals group. Volvo has yet to answer what models it will develop to extend its range of only three basic car models. But for the time being, it is cruising faster than it has done since the 1980s and analysts do not expect the present profits spurt to peak until late 1995 or 1996.

Meanwhile, both Pharmacia and

results on Wednesday.

Astra, the drugs group which has been

a star in the Wallenberg firmament for several years, will report six-month

Ladbroke

LADBROKE

Odds shorten on Ladbroke casino buy

It would be a brave gambler that took a bet against Ladbroke announcing its return to the UK casino business when interim results are announced on Thursday. Less certain is the extent to which the group will suffer from a downturn at its DIY chain, Texas Homecare.

The UK-based leisure group is expected to announce a 31 per cent drop in group pre-tax profits before exceptionals to about £43m (\$66.7m). Analysts are looking for Texas to

return profits of about \$3.9m, against more than £15m last time. Rumours abound of a sharp upturn in credit betting during May and June. Expectations are that this will leave the betting business at least as good as last

year's £40.5m, and perhaps even better. While the dividend is likely to come down from 4.9p to 2.5p, this has been widely expected since the drastic cut at the year-end. Overall, analysts expect the full-year dividend to be higher than last year's reduced payout of 6p, down

The real interest in these results will be the expected announcement of the nurchase of three London casinos for about £50m. Ladbroke needs the acquisition if it is to get into the rapidly growing US gambling market. Approval by the UK authorities, which expelled Ladbrokes 15 years ago, would give the group the credibility it needs in the US

OTHER COMPANIES Appetites whetted by Sandoz acquisition

Sandoz, the Swiss pharmaceutical and chemicals group, has already revealed that its first half sales were up only 2 per cent to SFr3.22bn (\$6.2bn). A more complete interim statement is expected late this week from the group. Following the completion last week of its SFr3.7bn acquisition of the US baby food maker Gerber Products, some indication of its impact on full year results would be welcomed.

■ Rabohank: The Dutch co-operative bank will today publish its results for the first half, bringing to a close the reporting season for the Netherlands' three major banks. Rabobank's main competitions, ING Group and ABN Amro, last week reported earnings at the top end of analysts' expectations, despite the impact of bond market turbulence in the first quarter.

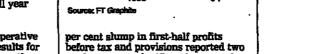
Alusuisse-Lonza: The diversified Swiss industrial group, and an analysts' favourite for several months, will report on its first half at a press conference tomorrow. After a disappointing 1993, a very strong recovery is expected this year as the group continues to build up its packaging business, and move away

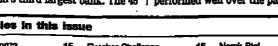
Swiss Bank Corporation: Georges Blum, appointed chief executive of SBC last year, seems to be having a tougher time than he expected bringing order to Switzerland's third largest bank. The 45

re price relative to the se Market Index

weeks ago was significantly worse than the performance of SBC's two local rivals. Mr Blum will perhaps explain at SBC can mend its erratic ways.

■ Fletcher Challenge: The New Zealand energy, construction and forestry group is expected to announce on Thursday a trading profit, before consolidation, of around NZ\$165m (\$97m) for the year to June 30. about half of last year's level. But a string of asset sales, including its methanol interests, are expected to lead to abnormal profits of around NZ\$400m. The company has enjoyed a strong turnaround in earnings from pulp and paper in recent months. Most analysts are predicting a strong profit recovery in the present financial year. The company's energy division and building supplies interests are expected to have performed well over the past year.





Companies in this issue

Alusuisse-Lonza Anglo-American Com 15 Bailtie Gifford Shin

Braime (TF & JH) Dana Corporation De Beers

Del Monte Food Inti

15

Norsk Sta 15 SSAB Sandoz Smith Bank Con

16

MORSE

The City **Network**.



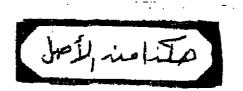
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T&N in talks to acquire German stake

By Tracy Corrigan

T&N, the engineering group, is believed to be in talks with Metallgesellschaft over the potential acquisition of the German company's 47 per cent stake in Kolbenschmidt, the vehicle components maker.

The talks are likely to intensify following reports that Metallgesellschaft's agreement to sell its stake to Dana Corporation of the US has run into difficulty.

It is believed that talks between T&N and Metallgesellschaft have been in progress for about six months, and continued even after the Germany company came to an agreement with Dana.

T&N said: "This is speculation and we cannot comment." The stake in Kolbenschmidt was put up for sale in January by Mr Kajo Neukirchen, who

was brought in by creditor banks to salvage the ailing German engineering giant. It had suffered huge losses, totalling more DM1bn (£400m) on oil derivatives trading by a US subsidiary.

principle to buy the stake, though no price was put on the deal, which has not been approved by the companies'

ties, Metallgesellschaft may be under some pressure to secure a sale of the stake. Kolbenschmidt lost DM123m in the year to last September and is labouring under heavy borrow-

its, due to be released on Thursday, are expected to reach £51m, helped by an upturn in European car sales and in the US car industry.

Commission and Nordic

Brit Steel and SSAB in Norway expansion

Swedish steel group, have agreed to take full control of Norsk Stal, Norway's leading steel distributor.

already hold 48 per cent of Norsk Stal's shares, are buying the majority stake from Norsk Jern Holding, the largest Nor-wegian steel producer, on undisclosed terms

Norsk Stal, which last year achieved profits of NKr20m (£1.9m) on turnover of NKr1.16bn, is already the main distribution outlet for both British Steel and SSAB in Norway. Its operations include Norsk Stal Tynnplater, Nor-way's largest steel service cenLast March, Dana agreed in

Given its financial difficul-

T&N's interim pre-tax prof-

tre with clients in both Sweden

By Christopher Brown-Humes

and Norway.

The deal was initiated by Norsk Jern as part of a restructuring which will focus British Steel and SSAB, the its operations on Fundia, a producer of long steel products.

Terms are expected to be finalised by the middle of next The two companies, which month but will be subject to approval from the European

> authorities. SSAB is Scandinavia's biggest steel producer with a targeted market share of 50 per cent in heavy plate and strip products. It already collaborates with British Steel through European Electrical Steels, which has operations in both Sweden and Wales. British Steel owns 75 per cent of

Eastern Electricity in N Sea gas deal

By Michael Smith

Eastern Electricity has taken a 6 per cent stake in the Johnston North Sea gas field when it agreed to buy Offshore Oil and Gas Development from Heerema, the Dutch construction group, for an undisclosed

Eastern is the third regional electricity company, after Yorkshire and Northern, to enter the upstream gas business. It also has one of the biggest gas supply businesses among the recs.

It has already contracted to buy the output of the Johnston field, which is expected to be in production later this year and has a life expectancy of about 11 years. The field is operated by Hamilton Oil. Mr John Devaney, Eastern's chief executive, said the pur-

developing an integrated gas OOGD's assets, mainly comprising the 6 per cent stake in Johnston, are valued at about \$10m. The acquisition is subject to the approval of Mr Michael Heseltine, the trade and industry secretary.

chase was part of the plan for

Andrew Taylor reports on the latest study of housebuilders' trends

New homes favoured by buyers

The UK housing market's slow emergence from recession is unlikely to dent sharp increases in housebuilders pre-tax profits, according to brokers Credit Lyonnais Laing. Its annual study of the housing sector's state of health says that the pace of recovery is likely to be sluggish, with borrowing costs remaining high. Potential house buyers are unlikely to be as active as in previous recoveries because confidence has been sapped by

the fall in house prices in the late 1980s and early 1990s. This should not, however, prevent housebuilders' profits from rising rapidly over the next 18 months. New homes this year have been selling faster than existing properties, where estate agents have complained that the price expectations of many sellers have

remained too high. Best placed are companies with large land banks which have not been forced to replenish stocks as land prices have risen sharply since the beginning of 1993. The Credit Lyonnais study

has been published at the start of a busy results season for construction and building materials companies. Some of these have already benefited from the rise in new house-

1991 end 7100 7500 6700 7820 4706 4266 2880 2375 2330 11038 5960 5372 9327 4983 5006 6837 4988 4805 3840 2923 2815 2771 2770 6600 6066 1800 4800 3700 Wilcon (Wilson Connolly) Bryant 2324 3101 2235 Ideal (Trafalgar House)

The Top Ten Housebuilders - Units Completed

building in the UK and also in the US.

Last week Marley, the building materials group, announced that pre-tax profits had almost doubled to £26m. during the six months to end-June - its best first-half performance since 1989. Next Wednesday housebuilder Persimmon and cement group Rugby are both expected to show higher interim profits.

Credit Lyounais argues that housebuilders have increased their market share while the overall housing market has remained sluggish over the

Its profits model, based on the performance of 20 quoted housebuilders, expects the number of homes built by the companies to increase by 13.5 per cent this year to 41,534 and by a further 22 per cent next year to 50,630. Higher house sales for the same fixed overheads will enhance builders' margins, depending upon how many new sites are started.

impact on profits this year and perhaps even next year" is likely to be the elimination of expensive land bought at the peak of the market. Builders will have been assisted further by the removal of sales incentives, accounting

have seen little unlift. Credit Lyonnais believes the recovery will remain slow, with purchasers likely to move because of need rather than to

take advantage of rapidly ris-ing prices. Capital growth of 1 or 2 per cent a year against long-term mortgage rates of 9 per cent for 10-year loans will not encourage people to move. The main constraint on the

market, however, is the con-But "the most significant tinuing impact of negative equity which "has not just altered the purchasing power of those directly affected but has affected the attitudes of potential house purchasers who, in a more inflationary environment, might now be rushing to join the housing for as much as 5 per cent of the

sale price of a home, even bandwagon. The study concludes: "In a though house prices in general recovering economy the bull points will win but the contraints will be of sufficient import to make the recovery a

MTL buys **Telematic**

MTL instruments has acquired Telematic Systems for up to £2.4m. An initial payment of £1,2m will be satisfied by £400,000 cash, £400,000 in shares and £400,000 in loan notes. There will be a further turnover-related payment of un to £1.2m in loans notes.

In the year to the end of March, Telematic made a pretax profit of \$5,000 (£67,000) cm turnover of £393,000 (£1.04m). Net assets at the period end Were \$287,000.

Baillie Gifford

Baillie Gifford Shin Nippon, an investment trust which seeks long-term capital growth through a portfolio of small Japanese companies, had a fully diluted net asset value of 170p at July 31 - a rise of 7.4-per cent on the value of 158.3p at the trust's January year

Net losses for the six months were £82,125 (£30,855), equivalent to 0.5p (0.19p) per share.

Wyevale expansion

Wyevale Garden Centres is buying two garden centres, in Keynsham, near, Bristol and West Drayton, Middlesex, from Hurrans Garden Centres for £1.7m cash, plus stock.

Richards withdraws from printed carpets

By Jean Marshall

Shares in Richards fell 5p to 49p on Friday after the Aber-deen-based textiles company announced its withdrawal from the manufacture of printed carpet where, it said, it had no long-term competitive advan-

tage.
The carpet manufacturing operations in Northern Ireland would now be closed with the loss of about 175 jobs. A "significant write-off" would inevitably result from the decision. All non-print carpet manu-

facture would be concentrated at Cumnock, Ayrshire, and the remaining carpet business should improve performance substantially in 1995, directors said. The core spinning opera-tion continued to show improved results.

For the half year to March 31, pre-tax losses deepened from £326,000 to £1.62m after provisions totalling £1.61m for the period. Before this there was a swing from operating losses of £248,000 to profits of £220,000 from continuing activi-

Braime ahead 46% to £0.23m

TF & JH Braime, the Leeds-based presswork and lift components group, reported profits ahead 46 per cent to £226,764 pre-tax in the six months to the end of June. The increase from last time's

£155,099 was achieved on turn over of £3.95m (£3.31m).
Directors said that sales of lift components remained buoyant in all markets, with signs of improvement at Setem, the French subsidiary,

while presswork orders had improved since the year end. Earnings per share jumped to 10.24p (6.9p) and the interim dividend goes up from 2.25p to

	CROSS BORDER	M&A DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Cherter (UK)	Esab (Sweden)	Electrical equipment	£416m	Raised bid breeks deedlock
Weir Group (UK)	EnviroTech Pumpsystems (US)	Pumping equipment	£136m	Meeting internation aliestion alone
Equifax (US)	UAPT-Infoliak (UK)	Business services	£50.9m	Offer raised again
Cementos Mexicanos (Mexico)	Cernentos Bayano (Panama)	Cernent	237.2m	Privatisation sale
Fairey Group (UK)	Imaging Technology (US)	Computer services	28.9m	Agreed cash deal
Sage Group (UIQ	Timestips Corp (US)	Computer services	£7,8m	Performance- related price
Oxford Molecular Group (UIQ)	IntelliGenetics (US)	Computer services	€5.2m	Paper & cosh desi
Instrumentarium (Finland)	Linit of Gambro (Sweden)	Healthcare	n/a	Patient build-up
Otla Elevator (US)/CEC (Vietnam)	Otis Salgon Elevator (Joint Venture)	Lifts & escalators	r√a	Re-establishing relations
Walt Disney (US)/CLT (Luxembourg)	Joint Venture	Broedcasting	n/a	50/50 satellite venture

THE THAI PRIME FUND LIMITED

(Incorporated in the Republic of Singapore)

ANNOUNCEMENT

L The Board of Directors of The Thai Prime Fund Limited wishes to amounce the unaudited results of the Company for the six months ended 30 June 1994

		SIX MODE	as enaça	
		30 June 94 USD	30 Jane 93 USD	+ or (-) %
1.	Investment income	56,059	66.209	(15.33)
2.	a. Operating Profit /(loss) before income tax	(5,845)	7,041	(183.01)
	b. Less income tax			_
	c. Operating Profit/(loss) after income tax	(5,845)	7,041	(183.01)
3.	Operating Profit/(loss) as a percentage of investment income	(10.43%)	10.63%	
	Profit/(loss) in US cents per redeemable preferred share	(0.04).	0.05	
	Net tangible asset backing in US dollar per redeemable preferred share	22.61	15.44	
	Note: For the financial period ended 30 June 94 and the corresponding period in 19	93, the Company did n	ot receive any divid	end and interest in

realised any gains from sale of investment and recognised any trading income or los

- 4. In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Company for the period from the end of the six months to the date of this report.
- 5. The Company has been granted the tax concession under the Tax Exemption Scheme for Fund Management, whereby the Company shall be exempted from Singapore income tax on its profits derived from approved investment assets which included its investment in the Fund. The Company may however suffer withholding tax in respect of income received from its foreign investments.

II. CURRENT YEAR'S PROSPECTS

The economic figures released by the government showed exports rising with a 23.3% growth rate and imports with a 12.8% growth rate during the first five months of 1994. As a result, trade deficit improved by 12.5%. Balance of Payments was in surplus and international reserves stood at US\$27.5 billion. For the same period, the inflation rate was 4.8% against 3.3% in the first five months in 1993. The Bank of Thailand autributes about 50% of recent CPI increases to the recovery in agricultural commodity prices, which are also benefiting Thai exports. Bank deposit growth figure was down from 19% in the same period in 1993 to 14% which amounted to US\$95.38 billion, lower than that of credit extensions which were 24.7% and amounted to US\$115.73 billion. This included loans in the form of Bangkok International Banking Facilities (BIBF) in the amount of US\$12.11 billion.

As a result of the rapid rise in the SET Index in the fourth quarter of 1993, investors re-evaluated the situation and sought some justification on prices. This partially caused a slowdown in the market activities during the first half of 1994. Other factors affecting the stock exchange were rising interest rates and a clouded political situation. The SET Index dropped to a low of 1,196.59 points in April and ended the month of June at 1,273,34 points, a decline of about 24% from the December closing index. The Thai stock market in the second half of the year is expected to turnsround due to the strong economic fundamentals and good corporate performance. The earnings growth of the market will be around 19-22% while the earnings per share growth is expected to exceed 17% for 1994.

As at 30 June 1994, the net asset value of the investment portfolio amounted to US\$372.63 million or US\$24.04 per investment unit. Of this amount, 97.75% was invested in Thai equities. The top ten holdings, which was 52.81% of the total net asset value, included Bangkok Bank Public Co., Ltd., The Siam Cement Public Co., Ltd., The Thai Farmers Bank Public Co., Ltd., Shinawatra Computer and Communication Public Co., Ltd., Dhana Siam Finance and Securities Public Co., Ltd., Phatra Thanakit Public Co., Ltd., Advanced Info Service Public Co., Ltd., The Siam Commercial Bank Public Co., Ltd., National Finance and Securities Public Co., Ltd., and Land and House Public Co., Ltd., During the first half of the year the Fund generated a net investment income of US\$21.13 million and outperformed the benchmark SET Index by 2.88% because of its overweight position in banking and building sectors and underweighting in property development sector.

The Board is pleased to declare an interim dividend of US\$0.50 (1993: US\$1.00), tax-exempt, per redeemable preferred share in respect of the financial year ending 31 December 1994, payable on 21 September 1994 to members registered in the books of the Company on 20

IV. CLOSURE OF BOOKS

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 19 September 1994 to 20 September 1994, both dates inclusive, for the preparation of dividend warrants. Duly completed transfers received by the Company's Share Registrar, M & C Services Private Limited, 16 Raffles Quay, #23-01 Hong Leong Building, Singapore 0104, up to the close of business at 5.00 p.m. on 16 September 1994 will be registered to determine shareholders' entitlement to the proposed interim dividend.

By Order of the Board

TAN SOEK BEE (MS) Secretary

27 August 1994

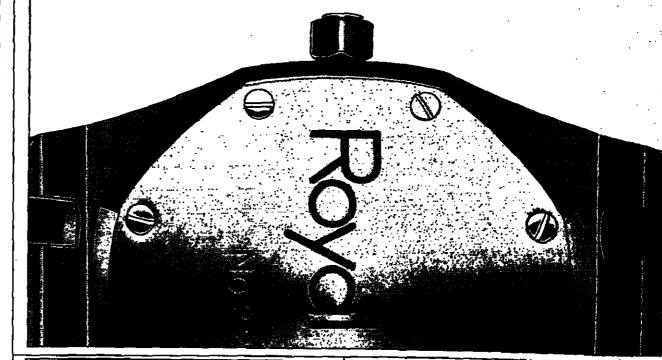
Singapore

Note: The half-yearly report is to be published in The Straits Times, Singapore on 29 August 1994 as well as sent to the shareholders on 5 September 1994. It will be made available to the public at the Company's registered office at 24 Raffles Place, 11th Storey, Clifford Centre, Singapore 0104.

QUITE SIMPLY THE ROYAL OAK.



Available at : Asprey, Garranl, Kutchinsky, Mappin & Webb (Heathrow - Terminal 3 & 4), David Morris, Mousstieff, The Watch Gallery, Watches of Switzerland Ed., Jensey : C.T. Maine, Wolverhampton : J.J. Rudell, Leede, Berry's



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Siam Cement ahead 27.3" a h second quarter

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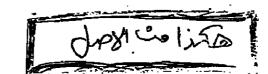
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COMPANIES AND FINANCE

Oerlikon-Bührle expects improved annual earnings

By lan Rodger in Zurich

Oerlikon-Bührle, the Swiss weapons, engineering and retailing group, has forecast a "clearly improved" operating result for the current year and has held out the prospect of paying a dividend for the first time in nearly a decade.

Bührle reported a 44 per cent slide in net income in the first half to SFrom (\$4.3m), but this setback was entirely due to the absence of large extraordinary gains from property sales in the current period.

Operating income rose 62 per cent to SFr59.3m on flat sales of SFr1.86bn, and the result before taxes and extraordinary items advanced to a profit of SFr30.4m from a loss of

The profit improvement came mainly from the Balzers vacuum engineering business and the Contraves weapons

subsidiary. Balzers, which supplies surface coating equipment and services, has seen a big growth in demand this year for its machines, especially those for coating compact

Orders received in the first half were up 17 per cent to SFr242.7m, and its operating profit more than doubled to The long troubled Contraves

division also more than doubled its operating profit from SFr7.2m to SFr18m in the first half, but Bührle warned of lower profits in the full year. It cited budget problems in customer countries and uncertainties over Swiss policy on military equipment exports. Sales of the Bally shoes sub-

sidiary were flat at SFr514.5m, but up 4 per cent excluding currency effects. Operating profit was down 14

per cent to SFr30.2m. Slight

insurer in 1m share debut ing profits are expected in the full year.

Austrian

By Ian Rodger

Wiener Städtische Allgemeine Versicherung, Austria's largest insurance company, is coming to the Vienna stock exchange in October with an initial issue of 1m new

preference shares.
The Sch100 par value shares would represent just under one-tenth of the group's existing Schl.lbn (\$95.6m) nominal capital.

Wiener Städtische is 91 per

whener statusche is 51 per cent controlled by a mutual society backed by the City of Vienna. Bank Austria, which is also controlled indirectly by the City of Vienna, has 8 per

The all risk insurer had premium income last year of Sch15.4bn, giving it a 13 per cent share of the Austrian

Net income, calculated on the Austrian fluancial analysts' method (OVFA), jumped to Sch852m from Sch625m in 1992. Its capital at the year-end

stood at Sch6.2bn. In the first half of 1994, its premium income advanced 4 per cent to Sch8.5hn, and it is forecasting a 2 per cent rise in the full year to Sch15.8bn. OVFA net income is forecast to ease to Sch827m.

Wiener Städtische also leads a group of Austrian insurance companies which has a combined annual premium income of Sch23.6bn and claims a market share of about 20 per cent The preference shares will

be entitled to a minimum 15 per cent dividend with a guarantee to exceed the ordinary dividend by 5 per cent for three years. The ordinary dividend for the past two years has been 15 per

Bank Austria, lead manager of the issue, plans to announce the price of the shares on The September 30. subscription period is from

SA watershed for black business

Nail starts trading in Johannesburg today. Mark Suzman reports

ew Africa Investments Limited (Nail) begins trading on the Johannesburg stock exchange today. lts arrival marks the most sig-nificant achievement of black business in South Africa to date and highlights the continued weakness of black economic clout in the country. The formation of Nail, the

brainchild of Dr Nthato Motlana a Soweto-based medical doctor turned businessman who used to be President Nelson Mandela's personal physician, is an important initiative by any standards.

Dr Motlana and a group of partners have put together a number of recent black initiatives and rolled them into a single company. Nail's biggest asset is a 30 per cent controlling share in Metlife, South Africa's fifth largest life assurer, and it controls The Sowetan newspaper, the country's highest circulation daily, and holds a large stake in MTN, a cellular phone network. Total assets amount to

about R7bn (\$1.9bn).
The company's listing marks
a watershed for black business but critics charge that its formation owes more to white desperation to build up a class of black capitalists than any inherent business acumen on the part of Dr Motlana and his associates. "All it does is help establish a new black elite

Nthato Motlana: Soweto-based doctor turned businessman from the state-run Industrial without providing any real Development Corporation.

Meanwhile, Sankorp, the benefits for the masses," says

Some of the charges carry Afrikaner-run insurance group more than a grain of truth. Certainly nearly all the transthat used to own Metlife, will retain 20 per cent of the new actions leading to the formacompany and a seat on the tion of Nail have been faciliboard of directors, and existing white management is being kept on at both Metlife and tated by white conglomerates aware that, given the new political climate, blacks have to be seen to have a genuine However, Sankorp officials

deny they will be seeking any managerial role in the new stake in the economy The takeover by a black consortium of The Sowetan last company and emphasise the year from Argus Newspapers, former Anglo-American subsiddecision to sell Metlife was made for sound business reasons. "We will fulfil our role in iary, was managed on very generous terms, while the corporate governance," notes money for the first 10 per cent. Mr Attie du Plessis, a Sankoro of Metlife taken by Dr Motlana executive director. "But we and his partners was provided will not interfere in the through a loan, now repaid, day-to-day life of the group. We

have faith in the directors and the underlying companies." The fact that ulterior

motives might lie behind the conglomerates' willingness to engineer the necessary deals, makes their generosity good financial sense in the current climate. "The black sector of the life assurance market is growing at 50 per cent a year," notes one broker. "Although Metlife's share of the market has dropped from 80 per cent to 40 per cent over the past five years, it's still in a better position to benefit from the growth

than any other company Also, charges that Nail benefits only a tiny core of black investors are not entirely justified. In addition to having 8,500 individual black shareholders, the National Council of Trade Unions has taken a 13.7 per cent share of the new company, and other union groups are likely to take up a further 20 per cent in the near future. Sizeable though Nail might

be, compared with the bigger life assurers or the leading banks and mining houses, it is one medium-size black fish in a pond filled with big white ones. However, given apartheid's success in preventing blacks

from accumulating capital or skills to build up their own companies, initiatives such as Nail remain the only viable way of developing large black business in South Africa.

Aegon rises 11% and sees further gains

By Ronald van de Krol

Aegon, the Dutch insurer, posted a 10.8 per cent rise in first-half net profit and predicted a "clear increase" in operating profit and profit per share for 1994 as a whole. Net profit rose to F1550.7m

(\$306m) from Fl 497m, while operating profit rose 13.3 per cent to Fl 465.7m from Fl 411.1m. The net profit figure comprises operating profit plus realised gains on shares and property, which were virtually unchanged at F185m compared with F186m. Premium income rose 46 per

cent to Fl 7.66hn, with most of the increase due to the firsttime inclusion of results from Scottish Equitable Life following last year's acquisition. If this factor is excluded, pre-mium income would have risen by 8.5 per cent.

The company said foreign exchange movements had a modestly positive effect on first-half results. Aegon added it has hedged its risk against a sharp decline in the dollar against the guilder.

the Netherlands, the US and other parts of Europe. One exception was Aegon Insurance Company (UK), the subsidiary in London, which produced disappointing results.

De Beers changes terms of venture

By Kenneth Gooding, Mining Correspondent

De Beers, the world's biggest diamond group, has changed the terms of its proposed joint venture with two junior Canadian companies after disappointing results from tests in Canada's Northwest Territo-

Nevertheless, De Beers will continue to explore the so-called Yamba Lake concession area and, if the group decides to go into production, it will find financing of up to C\$500m (US\$357m) for the first mine and earn a 60 per cent interest in the concession. However, De Beers no longer

has any obligation to take shareholdings in Mill City Gold

agreed when the joint venture was first mooted last month. De Beers said independent testing of a 24.5 tonnes sample from the Torrie kimberlite pipe at Yamba Lake produced 19

Bührle indicated that it

However, the directors have

would clear its capital deficit

not yet decided whether to rec-

ommend a dividend for 1994.

The last one paid was in

The group has not yet been able to carry out its DM100m (\$62.5m) acquisition of the Ley-

bold vacuum engineering com-pany. The US Federal Trade

Commission had not yet given

The German Cartel Commis

sion has already demanded

some disposals from either Leybold or Balzers. Bührle said it still expected

to consolidate Leybold retroac-tively to the first of the year,

and indicated that the German

company had returned to profit

this year.

respect of 1985.

its approval.

small diamonds weighing in total less than one carat. The Torrie pipe lies in the "corridor of hope" runs for nearly 150 kilometres and where nearly 100 kimberlite pipes - which sometimes contain diamonds have been found. This is the second blow for

Canadian junior mining companies. A recent unexpected announcement of sampling results by Kennecott, a subsid iary of RTZ of the UK, sent share prices of many of the small companies plummeting.

Nestlé lifts water stake

Nestlé, the world's largest food and beverages group, is raising its indirect stake in the San Pellegrino mineral water com-

enlarged its stake in Compag-nie Financiere du Haut-Rhin (CFHR), a Luxembourg company which has majority control of San Pellegrino, to 42 per cent from 28 per cent 14 per cent.

by buying shares from the Ital-

ing its mineral water interests rapidly in the past few years, also has a direct stake in San Pellegrino, believed to be about

pany.

ian Gardini and Malgara fami-

It expected to raise its CFHR stake further to 49 per cent through purchases from the Mentasti family, which con-

Nestlé, which has been build-

NEWS DIGEST

Siam Cement ahead 27.3% in second quarter

Siam Cement, Thailand's biggest conglomerate, reported a 27.3 per cent rise in consolidated net profits to Bt1.09bn (\$43.4m) in the second quarter to end-June, resulting in a 63 per cent rise to Bt2.52bn for the half-year, writes William

Barnes in Bangkok. Mr Chumpol Nalamlieng, president, said the continued growth in profits was a result of high growth in the Thai economy and improved performances of the steel, glass and ceramic subsidiaries. Large currency exchange gains had been made in the second quar-

Siam Cement recorded a 5 per cent increase in total sales in the second quarter to

Hudson's Bay advances 14%

Hudson's Bay, Canada's big-gest retailer, said second-quarter net profit rose 13.9 per cent to C\$18.8m (US\$13.6m), or 33 cents a share, from C\$16.5m, or 32 cents, a year earlier, with writes Robert Gibbens in Mon-

Sales were C\$520m, up 10.5 per cent, with the Bay division gaining 12.9 per cent and Zellers up 9.8 per cent. Including special items, final profit in the latest quarter was C\$40.9m or 72 cents a share.

First-half profit before spe-

cial items was C\$22.2m, or 39 cents a share, against C\$12.1m, or 23 cents, on fewer shares outstanding. Sales were C\$2.5bn against

C\$2.3hn The latest period included the former Woodward stores in western Canada.

Fonorola to become national carrier

Fonorola, the Canadian telecommunications reseller, plans to turn itself into Canada's third national long-distance carrier, writes Robert Gibbens. At present the company leases facilities from the other big carriers, Stentor and Unitel, at wholesale prices and provides enhanced services to

husiness customers at prices

below the telephone companies' rates. Now Fonorola has formed a limited partnership with Canadian National Railways to

Bay department store chain, network running beside its tracks between Montreal and Vancouver.

Fonorola will also get access to other CN private systems in Canada and the US, as far south as Cincinnati

It will invest C\$15m cash in the partnership and arrange supplier finance for a C\$50m upgrade of the CN fibre-optic network.

Canadian National Railways said its role would be passive but it wanted to "maximise an "tessa besiliturehm It built the system in the

early 1980s to manage its rail network more efficiently.

Formosa Plastics drops 3.9% Taiwan's Formosa Plastics

Corp, a leading manufacturer of petrochemical products, saw pre-tax profits for the year to June 30 fall 3.9 per cent to T\$2.45bn (\$91m) as a result of a T\$348m loss on its US operations, writes Laura Tyson

First-half revenues were up 19 per cent from a year earlier, to T\$15.41bn, on steady sales growth, the group said. It added that earnings in the first half of last year were lifted by T\$440m from land sales and other income.

develop CN's existing 1,500-mile trans-Canada fibre-optic T\$348m in its US operations. The company took a loss of

First-half profits dip at Danone

one cynic.

By David Buchan in Paris

Danone, France's largest food group, has reported a slight drop in first-half net profit to FFr1.67n (\$298m) from FFr1.8bn in the same period of 1993. But it said it was still banking on a profit increase for the year.

The beverage products of Danone, which recently changed its name from BSN, are particularly sensitive to fluctuations in the weather. This was poor in Europe until June but then followed a spec-

one is basing its confidence for a rise in overall earnings for 1994. It said its beer sales had been artificially swollen in the first half of last year ahead of a rise in French excise tax. First-half turnover was

FFr37bn, which was a rise of 6 per cent taking into account new acquisitions and of 2.7 per cent on a comparable basis with the first six months of last year. The group said its operating income and net profit declined slightly in the first half, but its cashflow rose

tacular summer on which Dan- marginally to FFr3.49bn. According to some reports, Danone is negotiating the sale of its Materne jam-making division to Hillsdown of the UK, but the French group is refus ing to comment on this.

At Friday's board meeting, Mr Franck Riboud, the 38-yearold son of Mr Antoine Riboud president, was named deputy managing director, or number two to his father. But at the same time, the group's managing inner circle was widened to include two new assistant

SA engineer beats forecasts

Murray and Roberts, the South African construction and engineering group, improved on its forecasts to lift pre-tax earnings 8 per cent to R487m (\$135m) from R452m for the year ending in June, writes Mark Suzman in Johannes

Turnover rose 15 per cent to R7.77bn from R6.78bn a year

However, a 22 per cent rise in tax paid, to R111m from R91m, meant that attributable earnings rose only 2 per cent to R340m from R333m.



Rome - Via Flaminia, 189:







Merger through the incorporation into SIP (also called TELECOM ITALIA S.p.A.) of IRITEL, ITALCABLE, SIRM and TELESPAZIO

Notice is hereby given that the act of merger relative to the above operation was registered at the Chancellery of the Courts of Turin and Rome on 28th July and 1st August 1994 respectively, and was published in extract, in the Official Gazzette.

Consequently, as foreseen by the merger project approved on 19th May at the Shareholders' Meetings of the companies participating in the merger, the effects of the operation, envisaged in Article 2504 bis of the Civil Code, will commence from 18th August 1994 and therefore the cessation of the incorporated companies IRITEL S.p.A., ITALCABLE SERVIZI CABLOGRAFICI RADIOTELEGRAFICI E RADIOELETTRICI - SOCIETA' PER AZIONI, SOCIETA' ITALIANA RADIO MARITTIMA per Azioni, abbreviated to S.I.R.M., and TELESPAZIO-Società per Azioni per le Commissazioni Spaziali will take place, while the incorporating company SIP - SOCIETA' ITALIANA PER L'ESERCIZIO DELLE TELECOMUNICAZIONI p.a. will assume also the abbreviated denomination TELECOM ITALIA S.p.A.

Correlatively the quotation of the ITALCABLE shares on the Stock Exchange will be revoked, starting from 18th August 1994.

Notice to Shareholders of the Companies to be incorporated Notice is hereby given that, from 18th August 1994 the increase of the SIP capital will begin in order to exchange the shares owned by the Shareholders of the companies to be incorporated, according to the following ratios:

2.4 SIP ordinary shares for every ITALCABLE ordinary share (face value Lit. 1,000);

2.4 SIP savings shares for every IRTEL share (face value Lit. 1,000,000);

3,150 SIP ordinary shares for every IRTEL share (face value Lit. 1,000,000);

2 SIP ordinary shares for every SIRM share (face value Lit. 1,000),

The exchange operations can be carried out at the offices of TELECOM ITALIA S.p.A. in:

Turin - Via San Dahmazzo, 15;

Rome - Via Flaminia, 189;

Rome - Viale del Campo Boario, 19.

Rome - Viale del Campo Boario, 19.

The exchange of the TrALCABLE shares can also be carried out, from 18th August to 30th September 1994 inclusive, at the Agents listed at the end of this notice.

To make the exchange operation easier, STET - Società Finanziaria Telefonica p.a. has undertaken, until 30th September 1994, to acquire from the holders of TCALCABLE shares, or to surrender to the same, the fractions of TELECOM TTALIA S.p.A. shares necessary to allow the exchanging shareholder to round up or down, respectively, to whole units the number of the incorporating company's shares due, at a price fixed according to the compensation prices of the SIP shares for the month of August 1994.

Whereas after 30th September and until the end of the 1994 Stock Exchange year (14th December 1994), the rounding up or down of the number of the incorporating company's shares will be guaranteed to those exchanging TTALCABLE shares through the acquisition or surrender of the necessary fractions of TELECOM ITALIA S.p.A. shares at a price fixed according to the official Stock Exchange price of the working day previous to that of the execution of the exchange.

After 14th December 1994, the fractions of the TELECOM ITALIA S.p.A. shares arising from the application of the above stated exchange ratios, will be converted into cash.

For this, the criteria valid for calculating the price will be applied from 1st October 1994.

No omis will be placed on the shareholder for the exchange operation and for sale of the above said fractions. TELECOM ITALIA S.p.A. will see to provide the holders with the newly issued shares through the authorised Agent which received the exchange request.

Notice to the withdrawing Shareholders

Notice is hereby given that on 18th August 1994, the withdrawal statements, sent to SIP and ITALCABLE according to Article 2437 of the Civil Code and conforming to the time limit and procedure indicated in the relative notices published in the press on 9th June 1994, will be effective. From the above said date therefore, payment of the reimbursements will be affected and will include the legal interests calculated from 19th May 1994 to the day of the payment of the reimbursements.

In Italy:

Bauca Commerciale Italiana S.p.A., Credito Italiano S.p.A., Banca di Roma S.p.A., Banco di Napoli S.p.A., Banco di Sicilia S.p.A., Banca Nazionale del Lavoro S.p.A., Istituto Bancario San Paolo di Torino S.p.A., Monte dei Paschi di Siena, Banco di Sardegna S.p.A., Banca Nazionale dell'Agricoltura S.p.A., Banco Ambrosiano Veneto S.p.A., Banca Toscana S.p.A., Credito Romagoolo S.p.A., Banca d'America e d'Italia S.p.A., Gruppo Dentsche Bank, Credito Commerciale S.p.A., Credito Bergamasco S.p.A., Banca Agricola Milanese S.p.A., Banca Nazionale delle Comunicazioni S.p.A., Banca d'Italia S.p.A., Gruppo Dentsche Bank, Credito Commerciale S.p.A., Banca C. Steinhauslin & C. S.p.A., Banca Fricuram S.p.A., Citybank N.A., Istituto Centrale di Banchieri S.p.A. and its associated Banks, Banca Popolare di Novara, Banca Popolare di Banchieri S.p.A., Banca Popolare di Bergamo - Credito Varesino, Banca Popolare di Lecco S.p.A., Banca Popolare di Dentsche Popolare di Lecco S.p.A., Banca Popolare Commercio e Industria, Banca Popolare di Sondrio, Banca Antoniana, Banche Associate all'Istituto Centrale delle Banche Popolari Italiane S.p.A., Cariplo - Cassa di Risparmio delle Provincie Lombarde S.p.A., Banca CRT S.p.A., Banca Carrige S.p.A., Cassa di Risparmio delle Provincie Lombarde S.p.A., Banca CRT S.p.A., Banca Carrige S.p.A., Cassa di Risparmio delle Casse di Risparmio Italiane S.p.A., ICCRI - Istituto di Credito delle Casse di Risparmio Italiane S.p.A., Casse di Risparmio Italiane S.p.A., Monte Titoli S.p.A. for the shares they administer.

Abroad: Loudon:

Paris

Banca Commerciale Italiana S.p.A. - 42, Gresham Street - EC2V 7LA Credito Italiano S.p.A. - 17, Moorgate - EC2R 6HX Banca di Roma S.p.A. - 87, Gresham Street - EC2V 7NQ

Banca Commerciale Italians S.p.A. - One William Street - N.Y. 10004 Credito Italiano S.p.A. - 375, Park Avenue - N.Y. 10152 Banca di Roma S.p.A. - 100, Wall Street - N.Y. 10005 New York: Banca Nazionale del Lavoro S.p.A. - 26, Avenue des Champs Elysées - 75008

Istituto Bancario San Paolo di Torino S.p.A. - Eschersheimer Landstrasse 55 - D60322 Frankhin/Main:

Lavoro Bank A.G. - Talacker, 21 - 8001 Banca Nazionale del Lavoro S.p.A. - Florida, 40 - 1005

Small car with big ambitions

Continued from Page 15

shifts with the ability to rise to 1,200 a day. The car will be built at VW's main plant at Wolfsburg in northern Germany at the rate of 530 a day. While ambitious for Volkswagen, these targets appear modest against the aims of its hitter rival General Motors, with which it is still locked in controversy over GM allegations of industrial espionage. Opel is raising Corsa production at its Eisenach plant in eastern Germany to 640 a day on a three-shift operation. Combined with its main Corsa plant at Zaragoza, Spain, this

the range to 2,400 a day. The Polo must also help to

start to rid itself of its unenviable position as Europe's high-cost carmaker. Mr Ferdinand Piech, chairman of the VW management board, claims the hours taken to build the new Polo have been cut by about 15 per cent (on a comparable basis to the old Polo) to 16

hours per car. The new car is also an important element in the group's platform strategy atmed at cutting costs and simplifying its global manufacturing activities. It is planning to produced at Wolfsburg, it is reduce the number of basic chassis platforms from 16 earlier this year to four by early next decade. The Polo platform will spawn all other small car will raise total production for models in the VW group for

the next decade, including Seat base, so that the heavily loss-making German group can fert, VW group research and record losses of DM1.9bn. and Skoda.

development director, the new Polo shares about 40 per cent of its components, by value, with its half-sister, the Seat Ibiza, launched early last year. The Ibiza and the Polo share dashboards, as well as rear axle and suspension, and some engines and gearboxes.

VW is developing its first mini car, smaller than the Polo, code-named the EA420 and due for launch in Europe by late 1996. Based on a shortsupposed to be the car that proves VW can assemble cars in Germany as cost effectively as any carmaker in Europe.

It is a big task for a small car, but such rationalisation is crucial as the VW group seeks to claw its way back into the



that information is a good thing? In suggesting that banks should reveal

more about their use of volatile financial instruments, bank regulators and congressmen have struck a popular chord. After six months of worrying

trading reports from banks, funds and companies which bear the scars of losses on such instruments, the markets have given a warm welcome to such proposals. The expanses of newsprint devoted to the subject also show that the plans have a wider resonance, touching widespread public suspi-cion of Wall Street's reckless-

However, those trying to improve the banks' disclosure of information may have set themselves an impossible task. There is little sign that the methods they are considering will prove useful; some may, in fact, prove counterproductive.

The current clamour has been prompted by the events of this spring, when the propri-etary trading desks of banks were hit hard by the sharp increases in US and European interest rates. The rises produced heavy losses on many of the huge range of financial

Who would argue with the proposition more

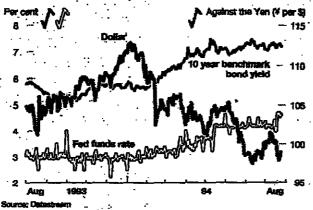
instruments now labelled "derivatives", the value of which depends on the movement of an underlying variable such as an interest rate or cur-

The losses revealed that the banks' use of these instruments had sharply increased during 1993. In a recent analysis of US banks' current disclosure practices, Mr Ethan Heisler, analyst at Salomon Brothers, calculates that "derivative contracts for the eight largest US banks grew by \$3 trillion in 1993 to \$10 trillion", a level some 10 times greater than the banks' combined assets at the end of 1993.

Banking regulators, including Mr Eugene Ludwig, Comptroller of the Currency, and Mr William McDonough, president of the Federal Reserve Bank of New York, have called for higher standards of disclosure, and Fed officials may amounce preliminary proposals within months. The House of Representatives' banking committee is studying plans for new disclosure rules, and the US Financial Accounting

THIS WEEK Global Investor / Bronwen Maddox in New York What value greater disclosure?

Not a safe bet



Standards Board is also considering new ways to represent the use of derivatives in trading statements and balance

There is, in this flurry, an air of compensating for the escape of the horse by shutting the stable door many times. Regulators believe that since the Fed began to tighten monetary policy on February 4, banks have sharply reduced their

exposure to further shifts in interest rates. Mr McDonough commented in an article in the Financial Times earlier this month that "the visions of melt-down are overblown".

The best argument that more should be done lies not in recent experience but in the principle that the role of the banks in providing liquid deposits and in administering payments needs to be safeTotal return in local currency to 25/8/94

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guarded from risky activity which they may undertake on

their own behalf. Regulators appear to favour proposals that banks should publish accounts of their outstanding derivatives contracts quarterly, or even monthly. By establishing a series of such figures for each bank, regulators hope to compensate for wide variations in accounting practices, particularly in the

choice of the period over which losses or gains are recognised. That does not, however, overcome the central difficulty.

the risk of exposure to derivatives cannot be represented in conventional ways. The nominal value of the contract gives no cine to the potential los if the fundamental varia the fundamental variable moves in an unexpected direction. In contrast, the most that a bank can lose in extending a loan is the principal sum

Nor do such proposals distinguish between the use of derivatives to reduce exposure to the volatility of interest rates or currencies and speculative trading. Neither do they inform the markets about whether the bank is vuinerable to a rise or to a fall in those variables.

Inclusion of more data in a bank's trading statements could even be misleading, in that creditors, investors and counterparties may be tempted to overlook other risks. As Salomon puts it, "the market's current derivative obsession will distract attention from potentially riskier activity" such as hanks' renewed taste for developing countries' debt and for highly-leveraged deals.

A more fruitful route than trying to quantify risk in a bank's trading statement would be to ask banks to calculate the loss in earnings or asset value which they would suffer from an adverse change in interest rates or currencies. Some regional US banks do

this to an extent, though given their much more modest level of activity in the derivatives markets, this has proved of limited use: Salomon estimates that "less than 3 per cent of (regional) banks' earnings rates moved adversely by 100 basis points"

: # Nystr

444

There is, though, an inevita-ble risk of focusing on the wrong variable; current concern centres on exposure to shifts in US interest rates, even though many banks have been caught out less by the Fed's change of policy in February than by the rise in European rates that followed.

A more radical route would be to insist that banks ring fence deposits from trading in derivatives on their own account. That would answer many of the concerns of creditors, although not those of investors in banks' shares or of counterparties to their trading.

The choice of the best route forward might be clearer if the regulators had been more forthcoming about the use they themselves might make of better information. The danger is that they are fashioning a new tool with little sense of why it is needed or how it will be used. The current anxiety about derivatives may simply generate a flood of financial data from the banks that is, on closer inspection, worthless.

COMMODITIES

Nickel labour talks loom

Anticipation of the expiry of labour contracts on Wednesday at Falconbridge of Canada, the second biggest western nickel producer, has been one of the few constructive factors for the nickel market in recent weeks.

The possibility of supply disruption during renegotiations was one of the principal factors behind the \$215 rally that lifted the three months price of the metal at the London Metal Exchange close to \$6,000 a tonne last week.

With world nickel stocks still at uncomfortably high levels,

the prospect of Falconbridge losing output and the strengthening in the market that would surely bring about is far from unwelcome to other producers. And having cut costs to the bone and with prices languishing at around \$2.70 a pound, the company cannot be expected to be in a generous mood when it receives the

So metals traders will be watching closely after Wednesday to judge the mood of nego-

unions' pay and conditions

any case soon be emerging from its recent gloom if Sumitomo, the Japanese steel maker, is right in its opinion, expressed last week, that a boom in stainless steel demand is just around the corner.

Stainless steel producers are big users of nickel. There are also hopes that problems at Norilsk of Russia, the world's biggest nickel producer, could soon reverse the surge in exports to the west after the break up of the Soviet Union that played such a large part in

The nickel market could in the collapse of prices for the

include tomorrow's grain and feed trade fair in Hamburg and, from Wednesday, a fiveday, Metal Bulletin-sponsored Asian Steel and Raw Materials Conference in Beijing, Wednes-day also sees publication by the UK Home Grown Cereals Authority of first results from its 1994 wheat quality survey and the retirement of Mr Aldo Hofmeister as buffer stock manager of the International

For president Clinton, the chief objec-

tives of foreign policy are goal increased exports: and

the benefit of those exports is "good jobs". Along with these simplistic goals goes an equally simple approach. The administration wants results, above all from Japan. Senator Joseph Biden has defined the US attitude with disarming candour. "I don't want to compete," he has stated, "I just want to win."

This quotation jumps out from the pages of a splendid new pamphlet on the defects of the US approach to trade with Japan. The fire of the author, Douglas Irwin of Chicago University, is directed at what his teacher, Jagdish Bhagwati of Columbia University - the economist who has argued most persuasively against the new results-oriented approach – labels "voluntary import expansions" (VIEs), by analogy with voluntary export restraints.

The starting point should be Japan is justified at all. Does it matter that Japan has a current account surplus of 3 per cent of gross domestic prodnet, or that Japan has a hilateral surplus with the US of some 1 per cent of US GDP?

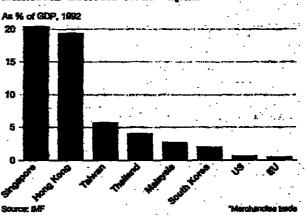
Exports of surplus savings from a rich country like Japan seem far more defensible than for the equally rich US to import scarce capital. It is also quite wrong to argue that current account surpluses mean there must be protection and vice versa for deficits. On that basis, Japan must be more protectionist now than when it used to run large deficits. Obviously, it is not.

The anguish over bilateral deficits is particularly ridiculous. The purpose of creating a multilateral trading system after the second world war was, after all, to allow such bilateral deficits and surpluses. Nevertheless, it is a commonly held view that the its imports were manufac-

Economic Eye / Martin Wolf

Mismanaging trade policy

Bilateral deficits with Japan'



Japanese bilateral surplus is gravely damaging the US economy. As the chart demonstrates, if the US is being dam-Kong should already be ruined and even Taiwan should be tottering. Yet these are among the most successful economies on earth. It seems more plausible, on the evidence, to argue that running a large bilateral deficit with Japan is the surest route to an

economic miracle. Then there are all those complaints about Japanese obstacles to imports. As Professor Irwin notes, the new US results-oriented trade policy rests on two arguments: that Japan's is an unusually closed market and that "trade policies requiring specific, quantitative outcomes are necessary to overcome or to compensate for hidden barriers". The first premise is exaggerated and the second "altogether inaccu-

rate". Japan does import relatively few manufactures in relation to GDP. In 1992 only a half of

tures, compared with 82 per cent for the US and 79 per cent for Germany. But sophisticated econometrics does not imports are smaller than might reasonably be expected, given its size and lack of resources. The statement from Mr Mickey Kantor, IIS trade representative, that "Japan's markets are closed by any measure the US may choose"

is, insists Prof Irwin, "completely absurd". Grant, for the moment, that Japan is closed, not because the people prefer to buy domestic products, which is their business, but because of obstacles created either by the government or by the structure of Japanese business. Would results-oriented policy

be the right way to proceed? The answer, argues Prof. Irwin, is no. "VIEs are managed trade in the worst sense of the word. They do not make economic sense, they detract from the goal of liberalising the Japanese economy and they undermine the objective of an open, non-discriminatory world trading system." They are open to capture by lobbies and are almost certain

to be discriminatory.

The most potent objection, however, is simply that the proposed solution will make the chief problem worse. Since the principal obstacle to imports is alleged to be collusion among Japanese companies, the aim must be greater competition. Yet the only way to make a VIE work is by cartelising an industry, or putting it under direct govern-

ment management, or both. Take, for example, the seminal case of the semi-conductor pact of 1986. The Japanese government has since discovered that what it recognised as an expectation by US busishare for foreign producers is regarded as binding by the US government. In trying to impose its will on domestic producers, the Ministry of Trade and Industry has also created such ill-will that it has apparently resolved never to adopt market-share targets

Until now, it has stuck to its guns. But the clock may be running out. By September 30, reached in negotiations on telecommunications and medical equipment. In the absence of success, the US may impose sanctions. On that day, the US must also reach a decision on which areas of Japanese trade policy are to be found "unfair" under section super-301 of its

All this puts a great deal of pressure on the Japanese to concede. What should they do? Ideally, the entire US-Japan conflict needs to be placed within the new world trade organisation. If that proves impossible, the Japanese must at least reiterate the essential point: "yes, we are prepared to discuss our policies; but never again will we make commitments on behalf of private Japanese firms.' *Douglas A Irwin, Managed

Trade: the Case against Import Targets, Washington DC: American Enterprise Institute

UNIGESCO INC.

demands

Offer to Purchase all of its Outstanding Debentures

NOTICE IS HEREBY GIVEN that Unigesco Inc. ("Unigesco") intends to purchase all of the 7.25% - 9% Convertible Series A Debentures (the "Series A Debentures"), 7.25% - 9% - 10.73% Non Convertible Series AA Debentures (the "Series AA Debentures"), 7.25% - 10% Convertible Series B Debentures") and 7.25% - 10% - 11.73% Non Convertible Series BB Debentures (the "Series BB Debentures"), ("Series BB Debentures") of University the "Debentures"). (collectively, the "Debentures") of Unigesco.

The Offer is expected to commence on August 30, 1994 and terminate at 7:00 p.m. (local time at the place of delivery of Debentin 1994, unless it is withdrawn or extended (the "Termination Date").

The Offer to purchase the Series A Debentures and Series AA y, at the option of each holder of such Debentures, be accepted on the basis of:

(a) one Common Share of Unigesco (the "Common Share") for every CAD 0.40 principal amount of such deposited Debentures and interest accrued on such principal amount from June 16, 1994 to the Termination Date, less the face amount of unmatured coupons not attached to or tendered with such Debentures; or

(b) one Series A 61/96 Cumulative Redeemable Convertible Second Preferred Share of Unigesco (the "Second Preferred Share") for every CAD 0.50 principal amount of such deposited Debentures and interest accrued on such principal amount from June 16, 1994 to the Termination Date, less the face amount of unmatured coupons not attached to or tendered with such Debentures.

The Offer to purchase the Series B Debentures and Series BB Debentures may, at the option of each holder of such Debentures, be accepted on the

(a) one Common Share for every CAD 0.40 principal amount of such deposited Debentures, a premium of 18.75% on such principal amount and interest accrued on such principal amount and prem 16, 1994 to the Termination Date, less the face amount of unmatured coupons not attached to or tendered with such Debentures; or

(b) one Second Preferred Share for every CAD 0.50 principal amount of such deposited Debentures, a premium of 18.76% on such principal amount and interest accrued on such principal amount and premium from June 16, 1994 to the Termination Date, less the face amount of unmatured coupons not attached to or tendered with such Debentures.

Each holder of Debentures who wish to accept the Offer shall complete and sign the applicable Letter of Acceptance and Transmittal in accordance with the instructions contained therein and transmit same with the certificates representing the deposited Debentures to General Trust of Canada in Montreal, Quebec or to any of the agents at the offices

If all the conditions of the Offer have been met, or waived in whole or in part, Unigesco will take up and pay for all Debentures validly deposited under the Offer and not previously withdrawn within ten business days following the Termination Date.

Any question or request for information should be address General Trust of Canada or any agents. Copies of the Offer and of the Letters of Acceptance and Transmittal will be available at the following

THE DEPOSITORY General Trust of Canada Montréal, Québec H8B 2G7 (Transit number: 1769-1) Phone: (514) 871-7341 THE AGENTS Banque Paribas Luxembourg, S.A. 10a Boulevard Royal Luxembourg Attention: Coupon Paying Department Phone: 352-46461

Krediethank N.V. Arenbergstrast ? B-1000 Brussels Attention:

Coupon Paying Department Phone: 32-2-577-4111 Banque Paribas

Kredietbank N.V. 7th Floor, Exchange House Primrose Street London EC2A 2HQ Attention Coupon Paying Department

Swiss Bank Corporation 3 rue d'Antin Aeschenvorstadt 1 CH-4002 Basie Attention Coupon Paying Department Phone: 41-61-2882273 Coupon Paying Department Phone: 33-1-42-98-12-34

CONTRACTS & TENDERS

FONDO NACIONAL DE FOMENTO **AL TURISMO** (FONATUR)

> INTERAMERICAN **DEVELOPMENT BANK** (IDB)

BIDDING RESCHEDULED

DATE: August 25, 1994 LOAN: 781/OC-ME NO: IXDO-8107/94-0-01B

"ELECTRIC SUBSTATION AND TRANSMISSION LINE FOR PUNTA IXTAPA, IXTAPA, GRO., MEXICO"

Regarding August 02, 1994 publication of the bid in reference, it is informed herewith of the following changes to the program:

Deadline to present proposals:

September 30, 1994

Bid opening and presentation:

mercial Union Privilege Portfolio SICAV

Technical: **Economic:** September 30, 1994 October 07, 1994

10:00 Hrs. 10:00 Hrs.

COMMERCIAL UNION PRIVILEGE PORTFOLIO SICAY Galerio Kons, 26 place de la Gare, 4th floor R.C. Larrembourg B32640

DIVIDEND ANNOUNCEMENT Commercian Union 1500-1994 for the following in DM 0.21749 YEN 2.999 GBP 0.021099 US Dollar Rest USD 0.11279 CHASE MANHATTAN BANK Luxenbourg S.A. BANK VAN BREDA & CO Senes

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sechs & Co. and NatiWest Securities Ltd. in conjunction with the institute of Actuaries and the Faculty of Actuaries NATIONAL AND REGIONAL MARKETS Figures in parentheses

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of stock Index	31/12/93		index	Index	index	31/12/93	Yleid	Index	Sterling Index	Yen	Obi	Currency :			#30 ·
	7.0.1.000			HALL	= 7.00	31/12/63	TRUNC	- KARA	MOSX	Index	Index	Index	High		(approx)
Australia (68)176.8	8 6.0	170.07	112.13	143.60	158.11	-3.3	3.48	176.79	168.83	111.48	142.12	158.21	169,15	139.24	146.31
Austria (17)193.8		188,40	122.90	157.39	156.90	-5.8	1.02	193.92	185.18	122.26	155.88		195.41	184.64	171.81
Belgium (37)174.9		166.19	110.89	142.01	138.85	-4.2	3,98	178.27	166,32	111.13	141.69		176.78	143.62	
Canada (104)133.6		128.89	64.8 5	108.66	132.81	2.0	2.55	131,95	126.01	83,19	106.07		145.31	120.54	128.12
Denmark (33)258.6		246.76	162.70	208.35	215.87	-5.5	1.38	260.44	248.70	164.19	209.35		275.70	220.58	221.72
Finland (24)170.9		164.29	108.38	138.86	182.35	21.8	0.77	172,78	164,99	108.82	138.68		172.78	104.28	
France (97)178.1		171.25	112.91	144.60	149.50	-8.3	294	177.18	169.19	111.70	142.62		185.37	159.34	112,94
Germany (58)146.5		140.85	92.87	118.93	118.93	-6,1	1.74	147.37	140.73	92.91	118.46		147.75	123.87	
Hong Kong (56)382.0	3 –21,9	387.31	242,18	310.14	379.06	-21.9	8.21	378.90	361.83	238.88	304.59		506.56		123.87
liretand (14)	4 10.2	198.20	129.41	165.73	189.27	2.2	3.34	205.13	195.89	129.32	184.90		209,33	202.08	299.01
Italy (59)83.2	8 21.4	80.07	52.79	67.61	98.53		1.58	83.95	80.16	52.92	67.48			161,54	169.65
Japan (469)162.8	9 25.2	156.61	103.26	132.24	103.26	12.5	0.74	183.64	158,27	103.16	131.54		97.78	57.88	78,39
Malaysis (97)	5 -7.7	524.91	348.09	443.21	585.78		1.55	556.90	531.81	351.09			170,10	124.54	157.55
Medco (15)2338.5	6 -21	2246,49	1481.17	1896.82	8613.32	6.2	1.55	2368.80	2262.04	1493,38	447.68		621.63	385.78	385.79
Netherland (27)217.0	2 4.0	208.65	137,57	176.18	173.68	-1.6	3.29	216.63	206.87		1904.16		2547.08	1615.11	1747.05
New Zestand (14)71.9		69.18	45.61	58.41	63.33	-1.8	3.77	72.16	68.91	138.57	174.14		217.02	180.25	
Norway (23)207.7		199.78	131.71	168.66	193.48	5.6	1.71			45.49	\$8.01		77.50	59,22	65.00
Singapore (44)360.2		346.37	228.37	292,46	249.11	-8.6	1.70	209.06	199.64	131.80	188.05		211,74	166.52	172.74
South Africa (59)302.6		291.15	191.96	246.83	300.16		2.09	358.67	342,51	226.12	288.32		378,92	284,30	266,76
Spain (42)143.4		137.98	90.98	116.49	141,37	-6.3		303.23	289,57	191.17	243.75		305,44	175.93	196.46
Sweden (36)223.0		214.43	141.38	181.08	253.73		4.08	143,49	137,02	90.46	115.34		155.79	128.88	158.60
Switzerland (47)		154.80					1.57	221,18	211,22	139.44	177.80	248.50	231.35	175.83	181.24
			102.13	190.78	131.59	-10.8	1.85	161.15	153,89	101.59	129.54	130.33	178:58	135.48	135.96
United Kingdom (204)205.2		197.29	130.08	166.59	197.29	-4.0	3.85	204.79	195,58	129.11	164.63		214.98	181.11	189.10
USA (518)193.3	4 1.8	185.89	122.56	156.95	193.34	1.8	2.79	191,15	182,53	120.51	153.65		196.04	178.96	186.56
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Nordic (116)217.6		209.21	137.94	176.84		-	2.94	175.77	167.85	110.81	141.29	156.78	178.58	153,50	155.79
Pacific Basin (748)171.9				139.61	211,30	4.6	1.40	217.84	208.02	137.33	175.11	209.92	222.03	173.19	173.55
		165.35	109.02		113.75	7.5	1.06	172.68	164.88	109.85	135,80	113.68	178.88	134.79	161.42
Euro-Pacific (1466)		166.76	109.95	140.80	131.34	22	1.87	173_84	168,01	109,60	139.74	130.82	175.05	143.88	
North America (822)189.6		182.34	120.22	153.96	188.18		2.78	187.47	179.02	118.19	150.70		192.73		150.30
Europe Ex. UK (514)156.3		150.27	99.08	126.88	135.45	-4.3	2.39	156,49	149,44	98.66	125.79		158.12	175.67	184.65
Pacific Ex. Japan (279)260,6		250.64	165.25	211.63	231,64	-13.2	2.79	260,91	249,16	164.49	209.74			134.97	156.52
World Ex. US (1647)175.0		165.30	110.96	142.10	135.11	2.5	1.88	175.40	187,48	110.58	140.99		296.21	200.13	301.26
World Ex. LIK (1961)177.8		170.79	112.60	144.20	148.86	2.9	2.02	177.14	169.16	111.68	142.40		176,37	145.58	100.02
World Ex. So. Al. (2106)	0 7.7	172.38	113.66	145.58	152,07	2.0	2.20	176.81	170.75	112.79	143.73		178.02	155.96	186,19
World Ex, Japan (1696)	5 1.9	183.88	121.24	155,26	182.45	-1.3	2.81	190.16	181.50	119.88			179,50	108,54	100,14
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The World Index (2165)180.0	<u>8 7.8</u>	173.12	114.15	146.18	153.17	2.2	2.20	179,56	171.49	113.21	144.38	152.18	180.28	158.86	100.00
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EMERGING MARKETS: This Week

The Emerging Investor / Tony Walker

Credit squeeze leaves China lower

After a burst of activity earlier this month, which sent share prices rocketing, China's fledgling stock markets have slid back under the weight of negative economic news and poor interim results for listed com-

Shanghai's B-share index for foreign investors is down by about 6 per cent from its month's high, finishing last week at 77.71. A-shares for local investors have also

slipped.
Foreign brokers say that a credit squeeze, imposed last year to calm an overheating economy, is continuing to have a negative impact on company earnings, and circumstances seem unlikely to improve in the short term.

Government anti-inflation efforts were set back by a jump in retail prices in July after the rate of price increases anneared to be slowing. Another worrying development

TPI Polene

Companhia Suzano (Píd

Putra Surva Perkasa

Vitro

Ten best performing stocks

in July, in spite of government attempts to restrain investment in fixed assets as part of its anti-inflation strategy.

While sentiment among foreign investors had improved in recent months, poor results for the six months to June, combined with uncertainties over the economy, are certain to be giving fund managers pause for thought.

In Shanghai, Mr Paul Vibert, an analyst at Baring Securities, said the outlook was still very shaky.

The B-share index - B-shares are denominated in yuan but are traded in US and Hong Kong dollars - had picked itself off the floor, after falling by about 40 per cent this year. It is now down by about 22 per cent for the year.

Brokers had expected B-shares to recover their lost ground by the end of 1994, the index finishing at about 100,

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was a leap in capital spending where it began the year. This now seems difficult in the light of faltering performances by many of the 28 listed B-share

Earnings, even allowing for excessively optimistic revenue projections for newly-listed stocks, were little short of disastrous with a couple of notable exceptions, including Pilkington Glass, whose perfor-

mances matched expectations.

At least half the B-share companies failed to achieve targets, and in a number of cases, such as Forever Bicycle. earnings were much less than forecast. The worst performing sectors were textile machiner and other light industrial

China's problems with "tri-angular debt" - the inability of one faltering enterprise to pay another for goods and services - have almost certainly contributed to the poor results.

Underlining a slowdown after this month's almost frenzied burst of activity, with the A-share index more than doubling after the authorities intervened to prop-up a collansing market, is the fall in trading volumes. Last week volume was down to between Yn3bn and Yn4bn compared with a daily turnover of Ynic-12bn two weeks ago. In the light of a tricky period ahead for the government economically, with pressures intensifying for stronger medicine to

Lebanon attempts to rebuild markets as interest returns

International finance houses are gearing up for business in Lebanon as the country's reconstruction programme gets under way, writes

James Whittington, recently in Beirut. French, British and American merchant banks are looking at its prospects as a regional capital markets centre in the Middle East.

French banks which include Crédit Lyonnais, Parihas and Banque Nationale de Paris Internationale are well established with offices in Beirut. The London-based Robert Fleming will join them, together with Merrill Lynch of the US, with a regional office in the city by the end of this year. Baring Securities of the UK has just published a book on Lebanon and a British Invisibles delegation will be visiting Lebanon

in October. The stock market is still in its infancy. There is only one listed company, Solidere, a \$2.5bn property-development company set-up to classes of shares began at the end of June, but less than half have so far been distributed.

activity seems likely to con- tors appear to have regained confidence." But brokers believe a melt-For the B-share market, the down similar to last year's picture is different in that external factors are almost as when disappointed local investors deserted the market, is important for market sentiment as local developments. unlikely, especially if the authorities continue to extend The market performance of Hong Kong-listed mainland credit to securities houses and also maintain a ban on new companies, so-called H-shares,

> demand for B-shares. The perception of China investments is also being guided by the reception given to a dribble of Chinese listings

has a direct bearing on the

fueled a price rise of more than 50 per cent. The market is waiting for the rest of the A shares, which are being allocated to the owners of land and property rights of the land ear-marked for development, to come on to the

market by the end of the year. B shares, issued through a \$650m subscrip tion earlier this year, was oversubscribed by 42 per cent. The shares are restricted to Arab nationals and property holders.

Paribas, however, has won approval to buy a stake on the basis of its having had an office in the city centre before the war. The bank is issuing warrants, open to all investors, on its

It may be some time before a fully-fledged stock market is set up. A committee has just been appointed to draw up its regulations and there are only a few companies ready for list-

However brokers in London believe the poten tial is huge in terms of privatisations, and giv-ing assistance to publicly and family-owned Massive demand and low turnover have companies which want to raise capital.

tion could at best be described as wary.

Both the A and B markets are continuing to be bedevilled by confusion over the regulation of China's markets. The China Securities Regulatory Commission is nominally in charge, but other bodies such as the People's Bank of China. the central bank, and State Council, the cabinet, are also involved. Co-ordination is poor. In the absence of a securities

■ Hungary law, defining regulatory responsibilities, uncertainty strategy, in an effort to

News round-up

Mexico

Mexico's stockmarket rose a modest 2.4 per cent last week following the ruling party's easy win in Sunday's presidential election, although the peso unexpectedly weakened against the dollar, unites Damian Fraser in

Mecico City.
The market reaction was imited largely because investors had already discounted the victory of Mr Ernesto Zedillo. The leftist opposition's decision to denounce the election as fraudulent and to hold a protest rally on Saturday in Mexico City, while expected appears to have made some

investors nervous. After strengthening sharply the day after the election. the peso weakened in the second half of the week after the central bank moved its informal intervention the dollar to prevent a sudden appreciation of the CUITEDCY.

A committee studying Hungary's new privatisation streamline and speed up the process, will present its proposal to the government early next month. The proposal will include the decentralisation of decision making, allowing managers of smaller companies to arrange

their sale. The committee, representing members of political parties and independent experts, will also recommend combining several companies in equity funds, which would be offered for sale.

■ Slovenia

Pivovarna Lasko, the country's biggest brewery, which has about 50 per cent of the beer market, is to offer about half of the brewery for sale in a flotation likely to start in late September, Reuter reports.

Sri Lanka

A Sri Lankan treasury official has dismissed reports that the new People's Alliance (PA) government will cancel the proposed sale of the state-owned Ceylon Steel

Corporation.

• Emerging markets coverage appears daily on the World Stock Markets page

Market watches Bundesbank council

Foreign exchanges will focus this week on Thursday's Bundwill help investors decide on the outlook for European inter-

The feeling prior to the last meeting on August 18 was that the council, if it wanted to cut rates, would do so either then. or at this week's meeting on September 1. Rates were left unchanged after the last meet-

Elsewhere, the dollar will be closely watched. Last Friday it rose sharply on the back of a rally in the bond market, helped by reports that sbort-term, speculative funds

continue to believe that the dollar remains subject to a

The US market will not be short of data, with at least a dozen releases scheduled. Most important will be the non-farm payroll, which is released on Friday, but Mr Dave Munro, chief US economist at High Frequency Economics in New York, said the "hot button" statistics would be the inflation indices and retail sales,

which come later. Although market expectations are for a fairly modest payroll number, the inflation data have the potential to unsettle the bond market, and currency. But most analysts analysts are predicting that noises ahead of the next pay

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they will show price pressures round." rising, as the output gap

Expectations of a further cut in German rates have dampened recently, following comments last week from senior Bundesbank officials. Analysts at IBJ International

London, commented: "Although domestic factors should ensure inflation continues to decelerate along with monetary growth, these arguments in favour of a 4 per cent Discount rate are finely balanced against the economy's surprisingly buoyant recovery...the desire to avoid any move too close to election might have started buying the hence the dollar. Some dates and disturbing, early

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The Bundesbank's decision will have important ramificarencies. If the perception takes hold that German rates have bottomed, this will make it more difficult for other European countries to cut rates and

tinue to be subdued.

in A-shares.

listings. Heavy buying by local institutions is believed to have

been behind the recent surge

"The A-share market appears to be consolidating a little bit," said Mr Vibert. "Local inves-

will lend support to the D-Mark. In the UK, traders will focus on Wednesday's purchasing managers' index for signs of cost pressures in the economy. Opinion is sharply split as to whether rates should be left untouched, or whether the Bank is moving too slowly to combat inflation. Higher rates would probably

help sterling, but for the time

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being the currency's fate continues to lie in the hands of the

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ndex	28/8/94	Week on week Actual	movement Percent	Month on month Actual	movement Percent	Year to date Actual	movement Percent
Vorld (288) ·		+3.60	+1.98	+26.08	+16.37	+16.98	+10.08
atin America	:						
Argentina (20)	113.91	+2.89	+2.60	+9.32	+8.91	-1.47	-1.27
3raz# (22)	242.01	+14.67	+6.45	+66.65	+38.01	+102.36	+73.29
Chille (12)	196.70	+4.93	+2.57	+19.34	+10.91	+49.16	+33.32
Mexico (28)	159.35	+4.14	+2.67	+25.28	+18.85	-1.91	-1.19
Peru(16)	720.99	+23.55	+3.38	+32.84	+4.77	+144_90	+25.15
.atin America (96)	178.80	+6.83	+3.97	+32.57	+22.27	+29.55	+19.80
Elirope							
Greece (13)	84.52	-2.43	-2.79	+3.17	43.90	+1.43	+1.72
Portugal (16)	121.69	-0.45	-0.37	+11.62	+10.56	+9.56	+8.53
Turkey (20)	88.77	-4.00	-4.32	+10.91	+14.01	-72,94	-45.16
Europe (49)	101.89	-1.83	-1.76	+8.52	+9.12	-10.34	-9.2
Asia							
Indonesia (22)	152.78	+2.16	+1.43	+12.96	+9.27	-18.26	-10.6
Korea (23)	138.35	+1.52	+1.11	+10.61	+8.30	+28.65	+26.1
Malaysia (23)	237.68	-6.01	-2.47	+25.65	+12.09	-15.37	~6.0
Pakistan (10)	111.87	-0.48	-0.43	+0.57	+0.52	+0.18	+0.1
Phillippines (11)	302.58	+4.26	+1.43	+32.88	+12.19	-19.90	-6.1
Thailand (24)	258.28	-3.96	-1.51	+24.23	+10.35	-5.27	-20
Taiwan (30)	172.85	+4.52	+2,69	+1.94	+1.13	+19.14	+12.4
Asia (143)	221.01	-1.18	-0.53	+18.30	+9.03	-0.41	-0.1

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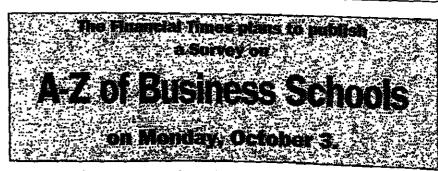
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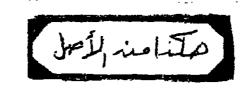
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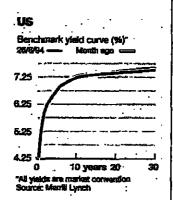
NEW YORK

the economic data due this The most important statistic is the monthly employment data, due on Friday, Wall Street expects the rate of jobs growth to have dropped in August. The consensus of forecasts is for a rise in non-farm payrolls of 225,000. below the 259,000 increase in July and the average monthly increase of 279,000 recorded for the year to date. Little change is expected in the national unemployment rate, which

month. If the jobs figures come in at, or below, market forecasts, the bond market could be set for a prolonged period of stability. with a slight bias towards higher prices.

stood at 6.1 per cent last

Any signs of strength, however, and fears of another interest rate increase by the



Patrick Harverson

Federal Reserve will be revived, and last week's gains could dissipate quickly. The July personal income

and expenditure, leading indicators and manufacturing orders data are not expected to cause many ripples. However, the August consumer confidence report from the Conference Board could cause trouble if analysts' predictions that consumer confidence rose only slightly this month prove off the mark.

LONDON

A quiet week for economic statistics, combined with today's August bank holiday. may allow gilts to hang on to their recent gains. Gilt prices held up last week, in spite of the rather disappointing price

information in the Confederation of British Industry's August monthly trends survey, published on Friday. According to Mr Simon Briscoe, UK economist at S. G. Warburg Securities, the spread between 10-year gilts and German bunds has narrowed to less than 150 basis points, compared with 180 points a few weeks ago.

This week, the gilt market's only statistical point of interest is likely to be Wednesday's purchasing managers' index, where the prices component will be closely studied. Recent purchasing managers numbers have shown sharp growth in price pressures, and the prices index reached a record high in July. Towards the end of the week,

Philip Coggan

Benchmark vield curve (%)* 9.00 8.00

6.00 5 years 20 *All visids are market convention

the focus is likely to shift towards the next monthly monetary meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, on September 7.

Speculation will inevitably centre on whether the two will agree to an early base rate rise. However, in the wake of the recent retail price numbers, most analysts feel an interest rate increase will not occur until November.

FRANKFURT Christopher Parkes

The Bundesbank's "interest rates horizon" - which Mr Hans Tietmeyer, the bank's president, described in May as 'clear for some time" - is beginning to look a long way away. There is a growing consensus among Frankfurt economists that the next discount rate change is unlikely to come until after the

federal elections in October.

There are even suspicions that nothing will happen until early in the new year. Although much depends on the inflationary heating effect of the economic recovery and the signals from the 1995 wages negotiations, which should be well under way by then, the move might even be upwards. Figures issued last week

showed west German inflation nudging back up to 3 per cent last month, Although Mr Otmar Issing, the central bank's chief economist and Mr Tietmeyer's favoured mouthpiece, was promptly wheeled out to say that it was a temporary blip, the reversal

Benchmark vield curve (961)

10 yrs 20

of the downtrend acted as a reminder that prices and inflationary expectations still need careful watching.

Much of the impetus behind the German cost-of-living index is still coming from housing costs, and although the bank has said this is a non-inflationary result of supply's failure to meet demand, wage earners are more likely to see it as a drain on thinning incomes and raise

their pay demands accordingly.

10 year benchmark bond yields

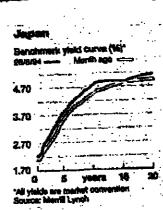
The rise in short-term rates burt the Japanese government bond last week, and the yield on the No 164 10-year benchmark closed up 11.5 basis

TOKYO

points at 4.685 per cent. With institutional investors taking profits ahead of the September book closing, a further rise in yields is likely. while further indications of economic recovery are also expected to hurt the bond market.

This week, the July industrial production figures. released Wednesday, are expected show a stronger performance than the original government projection, due to demand spurred by the bot summer weather. However, Salomon Brothers

in Tokyo sees the technical factor - book-closing manoeuvres - and the seasonal rise in yields in the summer wearing off in the near term. As investors turn their attention to economic fundamentals, the compound yield on the benchmark will



Emiko Terazono

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move back towards 4.3 per cent, says the broker.

The argument against higher long-term yields in the near future is that inflation remains low and private machinery orders are below the troughs of the previous two economic cycles. Worries over extra bond supply and the rise in US bond yields seem overdone, due to the lack of correlation of such factors with Japanese government bond yields in the

Capital & Credit / Tracy Corrigan

Clearing the way for a rally in gilts

While other government bond markets remain beset by inflationary fears and interest rate uncertainty, sentiment in the gilts market has turned more positive, with many analysts calling for a modest rally in the fourth quarter.

Last week, for example. Kleinwort Benson cut its 10-year gilt yield projection for the year end from 9% per cent to 8½ per cent, the level at which the gilt started the year. The main reasons for the

more upbeat appraisal are the better-than-expected inflation outlook, and the Bank of England's more comfortable funding position. The latest inflation data for

July showed the underlying rate, excluding mortgages, has hit a 27-year low, in spite of the fact that the UK is in its ninth quarter of growth. The small rise in unit wage

costs in particular "paves the way for very low RPI inflation data during the next few months," according to Mr Julian Callow, European economist at Kleinwort Ben-

However, Mr Callow concedes "the market will remain fearful of a sudden up-tick in British inflation" and "continue to demand a high yield

Meanwhile, the funding pressures on the Bank of England have been subsiding.

If the official forecast of a £36bn public sector borrowing requirement is maintained, the Bank needs to sell £2.5bn of gilts a month for the rest of the

expect that the PSBR could come in lower, at about £30bn, reducing the average size of monthly auctions to a relatively modest £2bn.

could benefit from a favourable cost of carry, which means that holders of gilts can earn an attractive margin by funding their positions at the short end of the market, because of the large differential between

spread between 10-year gilts and bunds has narrowed to about 150 basis points, the gilts

However, analysts now

Technically, the gilts market

short and long-term rates. However, although the **NUK-US**

market has yet to show any sign of a sustained rally. "You won't see it in the prices, but the undertone has

distinctly improved," says Mr John Shepperd, chief economist at Yamaichi Interna-The drag on the market is thin trading due to the holiday

period and malaise about other European and US bond markets. The bearish conditions afflicting the world's bond markets will hold back poten-tial gains in the gilts market: if economists have learnt one lesson this year, it is that economic fundamentals do not necessarily outweigh strong

In addition to their concern about the broader outlook for the world's bond markets. international investors are also nervous about the currency. "International investors have years of history of being burnt by sterling, and seeing sterling weakness doesn't help," says Mr Shepperd.

The pound's weakness has also rekindled uncertainty about the timing of an interest rate hike, although many analysts still believe that tightening will not start until next

Some analysts, though, remain cautious, noting that 10-year yields have already fallen below 81/2 per cent and warning against pinning hopes on the latest spate of data.

"I think that the market is attaching a bit too much if at all - the market will importance to the latest inflastart discounting any good tion statistics," says Mr David news is harder to call.

Merrill Lynch, who expects a rate hike before year-end.

Nevertheless, there is a growing expectation that gilts will outperform other bond narkets in the final quarter of

"We have been warming up to the gilt market over the last couple of weeks and have done some switching from German bonds to gilts in our global bond portfolios," says Mr Nick Henderson, head of fixed interest at Gartmore Investment "This is partly to close off a

negative posture - but so far this year German government bonds have outperformed gilts by about 13 per cent and we feel that it is time to switch back (to gilts)." So when is a raily likely?

One possible spur is the Budget, due to be presented on November 29, which is widely expected to be positive for the gilts market. How far ahead of the Budget

tion of large global bond

issues, the Luxembourg franc

sector is one of the few remain-

ing bastions of the old-style retail investors which prosper

Mr Frank Reinert, senior

manager of origination and

syndication at Banque Interna-tionale à Luxembourg, esti-

mates that about 80 per cent of

Luxembourg franc eurobonds

are bought by retail investors.

There are two main attrac-tions: the two currencies have

long been linked, so the foreign

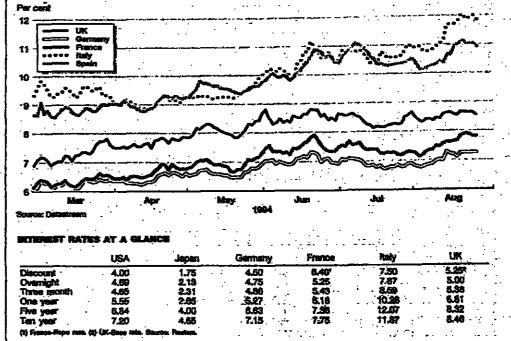
exchange risk is minimal; and, unlike Belgium, Luxembourg

does not levy a withholding tax

Furthermore, even though

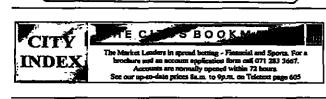
there is a liquid primary mar-

in the Benelux region.

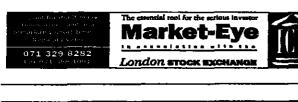


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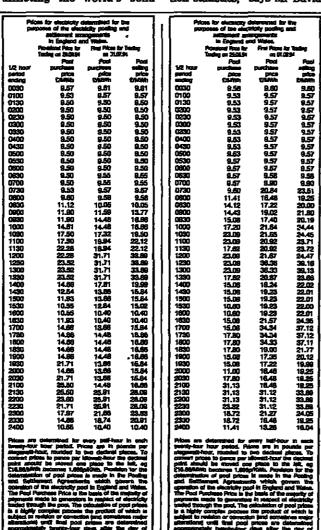


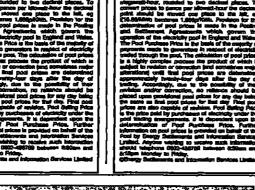






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FT Surveys

International / Antonia Sharpe Retail investors board Coupon Express It must be difficult to get a seat **Eurobond Issuances in Lux france** on the "Coupon Express" from Brussels to Luxembourg, if the recent flood of Luxembourg franc eurobond issuance is anything to go by. The train, which leaves the Belgian capital in the morning and arrives in the Grand Duchy a few hours later, is a favoured route for wealthy Belgians whenever they need to attend to their financial affairs. After a good lunch at one of Luxembourg's many restaurants, they can pay a quick visit to their bank to buy some more bonds or cash their coupons and be back in Brussels by the evening without the ket in Luxembourg franc eurobonds, there is virtually no sec-Belgian tax inspector being Reinert. any the wiser. ondary market because the Although in recent years, the bonds are invariably held until eurobond market has become maturity, says Mr Tom Ineke, more geared to the institu-tional investor with the evolu-

syndicate officer at ABN Amro in Amsterdam. As a result, they rarely react to the volatility which frequently occurs in the secondary market. "This means that they are a pretty safe investment," says Mr

In both 1991 and 1992, Luxembourg franc eurobond issuance topped LFr200bn, according to IFR Securities Data. But last year issuance fell to just over LFr150bn as the drop in bond yields to historically low levels prompted investors to switch out of medium to longdated bonds into bank deposits, money-market funds or equities.
"Three-year to five-year

deals had yields below 6 per cent and 10-year bonds just above 6 per cent, and clients did not like that," says Mr

However, since January, the yield on 10-year Belgian government bonds has jumped from just under 6.5 per cent to almost 8.5 per cent.

As a result, investors have been moving their cash out of deposit accounts, where they were getting around 4 per cent, back to the long end of the yield curve where the returns are greater. So far this year, Luxembourg

franc eurobond issuance has reached just over LFr190bn, and could rise above the levels reached in the early 1990s if the recent run of offerings con-The relatively high redemp-tion flows this year suggest that subscriptions will remain

healthy. According to Mr Reinert, LFr118bn could theoretically be re-invested in the market this year. Unlike the rest of the eurothe Luxembourg franc sector is not on the yield differential against the underlying government bonds, but on the coupon or yield. "If you can offer the psychological yield of 7 per cent or 8 per cent, people will buy it," says Mr Ineke.

bond market, the emphasis in

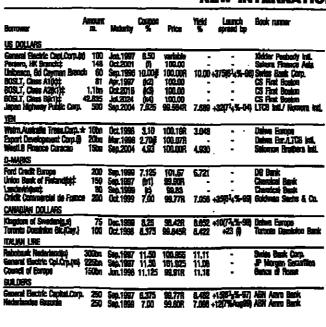
Meanwhile, borrowers have been keen to tap this market because of the attractive swar opportunities.

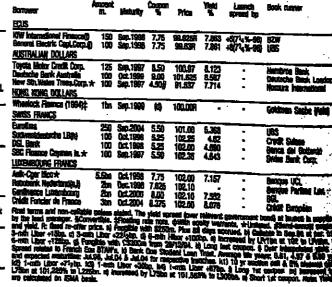
The swaps, which are done against the Belgian franc, have enabled issuers with triple-A rating to achieve funding levels of as much as 20 or 30 basis points below Libor in recent

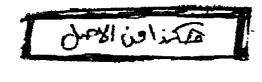
The renewed activity in the sector has been accompanied by an increase in the size of individual offerings from about LFr500m a few years ago to about LFr5bn. However, syndicate managers believe that this corner of the eurobond market will remain the preserve of the retail investor. It is rare to see anything other than a fixed-rate deal, and the few attempts to diversify into equity-linked or dual-currency transactions have not had much success.

The lack of a Luxembourg franc swap market has also deterred some borrowers. Some Luxembourg banks which underwrite the bonds do not run a swap book, which means that another counterparty has to be brought in to execute this part of the deal. Although these ménages à trois have been harmonious so far, such an arrangement could easily end in tears.









EQUITY MARKETS: This Week

Sanguine mood could linger

NEW YORK

on into autumn Last Wednesday's surprising 70-point surge by the Dow industrials is still a mystery on Wall Street. Before Friday, when the Dow added another 51 points, some analysts were dismissing the jump as a technical aberration.

Most notably, a report in The New York Times traced the initial burst to the consequences of a single fund manager's options trade. His strategy was said to have triggered what one analyst earlier described as a "panic reflow" of money back into depress cyclical stocks in the final half-hour of

The plausibility of that explanation hardly seems to matter this morning. Whatever the cause, Wednesday's events have sparked what may turn out

to be a long upturn in share prices. It now appears the groundwork was laid earlier in the week, when the market welcomed an announcement by Deere, the US agricultural equipment maker, that it was lifting its production schedule in response to higher demand. Later, technology stocks sprang to life when analysts issued encouraging remarks on several companies, and IBM decided to follow Compaq's lead in

lowering prices on many of its PCs. There is little doubt that investors are entering the final week of the summer with an inclination to accentuate the positive. Four trends seem to be working in their favour. bonds are up, the dollar has stabilised the outlook for corporate earnings has improved and the economy is trotting along at a manageable pace.
Friday's advance, after a modest

Dow Jones Industrial Average

Frank McGurty

August 1994 Source: FT Gasphits demonstrated that buyers were not ready to return to the sidelines after

Stocks could well have declined, as the Commerce Department announced an upward revision of second-quarter economic growth. Instead, investors were relieved that the revision, from 3.7 per cent to 3.8 per cent, fell well short

of expectations.

The report also lent credence to the theory that inventories had piled up in the quarter because of soft sales, not stepped-up production. Many analysts are now betting that the Federal Reserve will delay its next move to tighten credit until November.

This week, thin trading conditions in the run-up to the long Labor Day weekend could exaggerate the market's movements in either direction. With the monthly cycle of government economic data getting under way again, some volatility is not out of the question.

Nevertheless, most portfolio managers are likely to refrain from release of August employment data on Friday. Economists are forecasting a moderate increase in non-farm payrolls of between 200,000 and 250,000. If the figure falls in that range, the sanguine mood on Wall Street should carry into

Construction stocks come

LONDON

The London market has a day of grace today and can stand by to see whether New York and the other leading continental European stock markets are prepared to extend the gains registered ahead of the weekend. The running order on Friday night, when Wall Street was about 3.3 per cent up on the week, London 2.2 per cent, Paris about 3 per cent up and Germany less so, bore out the view taken by London analysts of

the latest economic developments. Relaxation of interest rate worries in the US following a mild upwards revision of second-quarter economic growth estimates has been quickly reflected in optimism in the London and Paris stock markets, both recently unsettled by renewed rate anxiety. UK market analysts have been able to return their attention to the onward flow of corporate earnings and dividends. S. G. Warburg underpins this increasingly favourable indication of corporate recovery by pointing to the improving margin expectations in manufacturing industry extrapolated from the Central Statistical Office

quarters of the year. Not that base rate concerns have vanished. NatWest Markets reminds clients of the downside aspects of the favourable economic statistics and believes that a rise in interest rates "remains on the cards," perhaps in November, NatWest's view is that domestic inflation is subdued because the monetary framework is in place. Base rates of 6 per cent, says NatWest, may be needed to keep inflation at 3 per cent, or below.

economic data on the first and second

Terry Byland: FT-SE-A All-Share index 1.620 under scrutiny Source: FT Graphite

With economic recovery again the stock market's favourite topic, it is no surprise that analysts are reviewing the housebuilding and construction stocks. Enthusiasm is restrained, with NatWest Securities expressing faith in the UK new housebuilding sector while commenting "contracting remains a mug's game".

The uncertainty bedeviling housebuilders is shown by the underperformance of about 23 per cent against the market over 12 months of George Wimpey, of 9 per cent by Berkeley group, of nearly 6 per cent by Bryant Group, all three recommended by NatWest.

Credit Lyonnais Laing, in a heavyweight analysis of the private housebuilding sector, finds it less easy to be charitable, believing that negative equity and low inflation will constrain recovery. On the firm's own profits model, it could be 1996 before average price earnings ratios come down to single figures. Lyonnais Laing ends a neutral weighting in housebuilding stocks.

However, it suggests widening institutional portfolios to share NatWest's approval of Berkeley and Bryant Group and sees hopes of recovery in Crest Nicholson, Wainhomes and McCarthy and Stone.

International offerings / Conner Middelmann

Privatisations primed for centre stage in Europe

governments and companies are preparing to launch an onslaught of international

The market will be off and running as soon as September starts - we'll see issuance back at the levels we had earlier in the year." says one equity syndicate manager. The improved tone in most equity markets will improve prospects for new issues, he says. Moreover. "there is a lot of institutional money waiting to be invested. most of which will go into

Some traders are less sanguine, arguing that the weight of supply may put pressure on issuers and lead managers to price deals attractively.

Moreover, politics may cause difficulties in some European countries. Italy will remain vulnerable to political shocks as the budget debate is resumed, while Sweden, Austria, France and Germany may be overshadowed by elections.

in Europe, privatisations are expected to take centre stage. The corporate sector will have to be very nimble to manoeuvre around the large privatisations, which will be the most important transactions," says Mr Charles Kirwan-Taylor, managing director of equity capital markets at Barclays de Zoete Wedd.

ket may be overestimating the weight of privatisations in the remaining four months of the year. "There may not be as many deals as most people expect - many of the large privatisations could occur in 1995," says Mr John Jensen, managing director, equity capital markets at Merrill Lynch.

In France, the authorities bave vet to decide whether their next privatisation candidate is Renault or the insurer Assurances Générales de France. If, as many expect, Renault goes first, the govern-ment has still given little indication as to how much of its 80 per cent stake it wants to sell. In Germany, dealers are preparing for the Lufthansa sale, co-ordinated by Dresdner

Bank, which is expected to get under way in September. The outlook is more cloudy in Italy, with dealers speculating over the timing of the sale of electricity group Enel, and Stet, the telecommunications

group. Finland's Kemira is expected to sell a \$200m equivalent of shares via Merrill Lynch, while traders continue to wait for the sale of Sweden's Nordbanken. which has been held up by political manoeuvrings.

The eastern Mediterranean region, including Greece, Turkey and Israel, is also

In Greece, the privatisation of telecommunications company OTE is likely to be revived. Although there has been a heavy supply of telecommunication stocks, OTE and other telecoms names are expected to be warmly received. "Telecoms stocks are still generally popular - for one, they are predictable; also, although there are more of them around, most of them still offer above-average

Kirwan-Taylor. In Turkey, telecommunications group PTT and other util-ities are expected to issue new shares. In Israel, traders will watch for the Bezek, El Al and Israel Chemical sell-offs.

growth prospects," notes Mr

Asia is likely to produce, among others, a large offering for Indosat the Indonesian telecoms group, and a deal for Taiwan's China Steel, both expected to be led by Merrill Lynch. In India, a rush of new ues could clog the market, making a successful comeback difficult for VSNL, the large telecoms group. Its \$1bn privatisation was pulled in May after it failed to get the desired price. "There is a risk that there will be so many small deals that the market doesn't get a chance to consolidate and absorb big deals," warns Mr Kirwan-Taylor.

OTHER MARKETS

retreat the previous session.

FRANKFURT

The market will be preoccupied with the Bundesbank's fortnightly central council meeting on Thursday, the fortunes of the domestic bond market and the Dax index's ability to hold above resistance at 2,100, according to Mr Detlev Klug at B. Metzler in Frankfurt.

However, participants will be keeping a keen eye on the release on Wednesday of the mid-term report of Daimler-Benz, the automotive, aerospace and industrial group, after shares in Volkswagen, its fellow blue chip, slumped last week on its disappointing progress report.

output Express

Brokers will be particularly interested in any full-year or second-half forecasts from Daimler after Mr Ferdinand Piech, VW chairman, depressed sentiment last week with his gloomy prediction of stagnant west European car

ales this year. Other companies in the news include Kaufhof, the retailer, which releases mid-term results on Tuesday and Deutsche Bank which is holding an analysts' meeting on Thursday.

MAN, which is expected to report full-year figures this week has warned that the outcome will be below last year's DM213m.

COPENHAGEN

First-half results are expected on Wednesday for Tele Danmark, the large telecommunications group

which came to the market with an IPO in April. Merrill Lynch expects few surprises, but says the interim results should be positive with revenue growth of 5 per cent, operating profits up 10 per cent and pre-tax profits lifted by a restructuring of the balance sheet with the IPO proceeds and reduced pension contributions, up 30

per cent to DKr1.57bn. Danish companies tend not to pay interim dividends, says the broker, and Tele Danmark is no exception.

STOCKHOLM

A busy week is in store on the corporate results front, starting with first-half figures from Volvo tomorrow. UBS says first-half results have so far matched, or in many cases handsomely beaten, already high expectations. It expects Volvo to continue the trend posting pet profits up to SKr8.05bn from SKr380m in the first half of last year.

Few of Sweden's recovering industrial groups are as well positioned as Volvo to benefit from the improving US economy, heavy internal restructuring and product launches, says UBS.

ZURICH

Alusuisse, the aluminium chemicals and packaging company, is holding a news conference on 1994 business developments on Tuesday and Ciba, the pharmaceuticals and chemicals group, reports first-half results on Wednesday. Brokers say the

two stocks could well provide the market with some positive news, helping to lift some of the gloom cast by the disappointing mid-term results in the banking sector.

SBC and UBS are holding press conferences on Wednesday and Thursday respectively.

TOKYO

Investors will be paying close attention to July industrial production figures, released on Wednesday, writes Emiko Terazono.

Although the government's official forecast has been for a fall in industrial output, private economists expect the rise in demand due to the hot summer and an increase in car sales, to support the figure. Other events scheduled

include the announcement of Japan Tobacco's public offering price on Wednesday and Friday's release of August employment figures. However, analysts do not expect the

announcements to affect

investor confidence unless the data is substantially different from projections, and the Nikkei index is likely to fluctuate in a narrow band around the 20.500 level.

HONG KONG

China stocks are likely to provide the main focus of trading in Hong Kong next week, with final results due from Maanshan Iron and Steel today and Luoyang Glass

tomorrow, writes Louise Lucas. Maanshan Iron and Steel has the biggest capitalisation of the so called H share companies, and Luoyang Glass is a float glass company which listed last month.

The H share sector has been rising for the past month and a half, partially stimulated by the launch of a new H share index, which tracks the performance of the Hong Kong listed China shares, and latterly by some strong corporate results.

Trading is otherwise expected to be lacklustre, after a mixed corporate interim results season, although traders will seek arbitrage opportunities ahead of the expiry of the Hang Seng futures on Tuesday. The market is closed today for a public holiday. Investor activity will also be depressed by the public

holiday on Monday.

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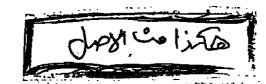
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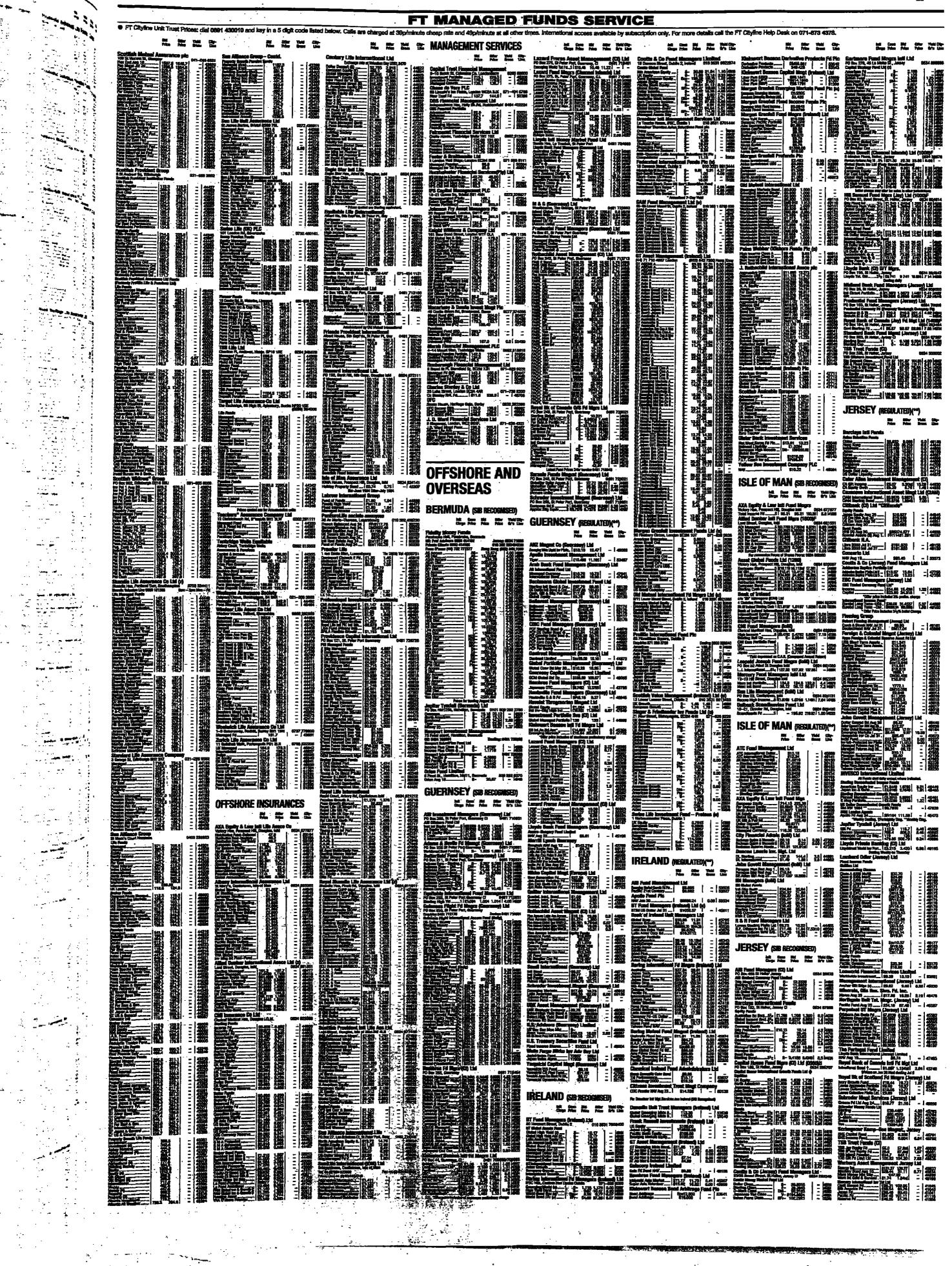
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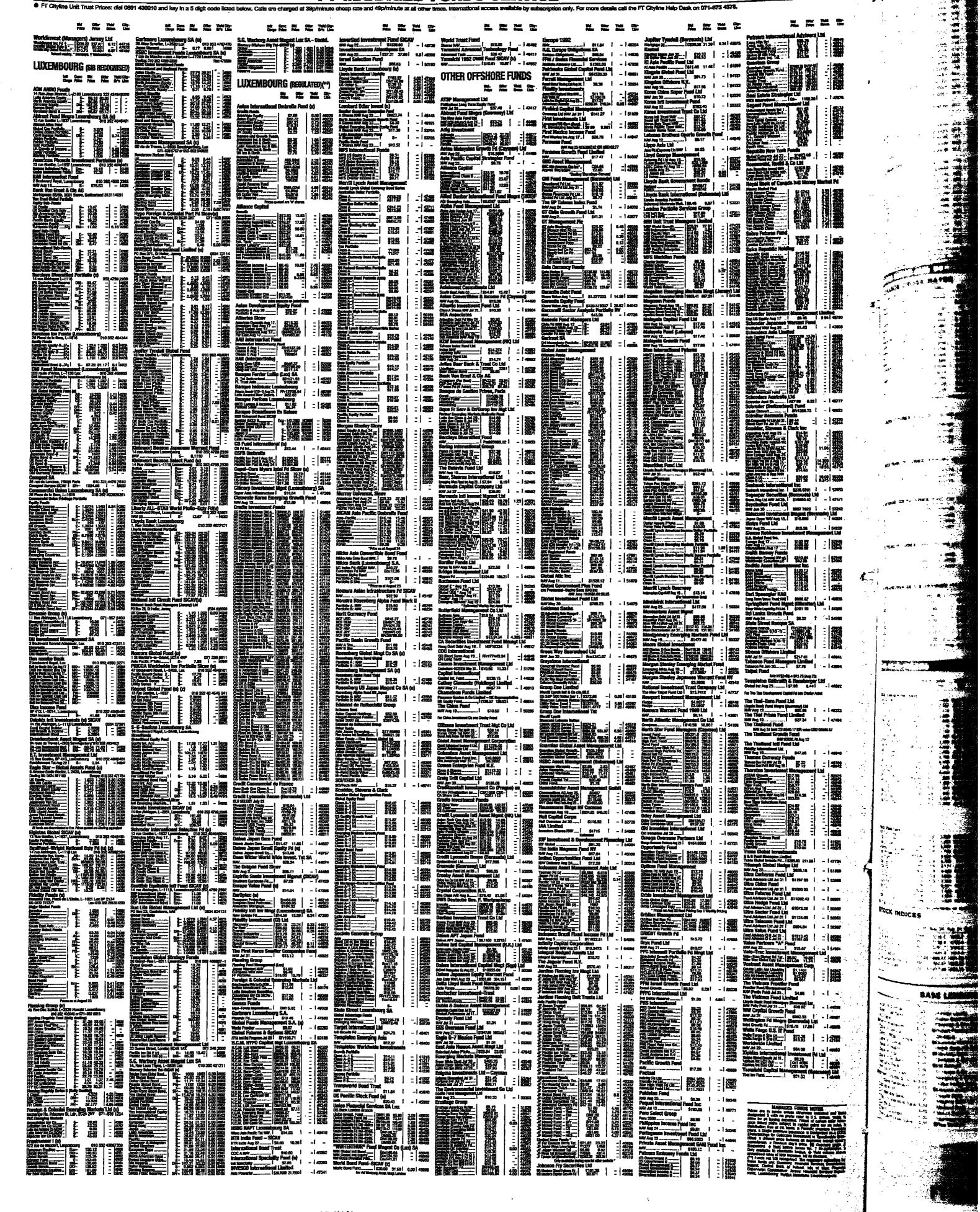
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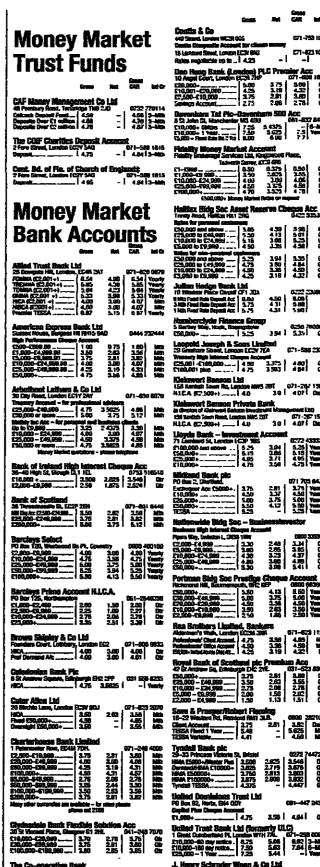




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MONDAY

Abiola trial reopens



The treason trial of Moshood Abiola (left), Nigeria's jailed opposition eader, re-opens at the high court in Abuja. The defence has challenged the court's jurisdiction and criti-

cism of the judge at previous hearings led to his withdrawal. Abiola was arrested in June after declaring himself president on the anniversary of his 1993 election

Ron Brown, US Commerce Secretary. visits Beijing to sign framework agree-ments reached by the US-China Joint Commission on Commerce and Trade.

He is the most senior US official to visit Bejing since the US renewed its Most Favoured Nation trade status and will be closely watched for public comments on human rights.

European taiks: The assembly of European regions opens a five-day seminar on federalism and regionalism at the Palais of Europe in Strasbourg. The assembly consists of 45 different regions in Europe, including representatives of central and eastern Europe.

Quebec premier Daniel Johnson and opposition Parti Quebecois leader, Jacques Parizeau, meet in a TV debate which will give clues to the winner of the September 12 provincial election.

The Johannesburg listing of New Africa Investments Limited (Nail) marks a watershed for black business in South Africa. Nail owns 30 per cent of Metlife. South Africa's fifth largest life assurer.

The 12th Olympic Congre opens in Paris co-ordinated by the International Olympic Committee. A decision is likely to be made to add the sports of triathlon and tackwondo in time for the 2000 Games in Sydney.

A bog in Llanwrtyd Wells, Wales, is the venue for the World Bog Snorkelling Championships. The UK Bank Holiday has also been declared Naturism Day with events taking place at 10 locations across the country.



Tennis: The US Open begins at Flushing Meadow, New York.

Holidays: UK (Bank Holiday), Gibraltar (Bank Holiday), Hong Kong (Liberation Day).

30

TUESDAY

Rebei's hostage deadline

Outlawed Khmer Rouge guerrillas say they will release three Western hostages held in southern Cambodia as soon as the government army halts attacks on the rebei base. The Khmer Rouge has warned Australia, France and the UK to renounce military aid to Phnom Penh by today if they hope to end the hostage stand-off.

The Eminent Persons Group, which advises the Asia Pacific Economic Co-operation forum, will present its report for the November meeting of Apec leaders to Indonesia's President Suharto, the chairman. The EPG was asked at the Seattle meeting last year to consider a "blueprint" for free trade in the Asia-Pacific region, and its recommendations will be outlined.

Georgia's breakaway province of Abkhazia is the subject of UN-mediated talks in Geneva (to Aug 31). The UN refugee agency hopes to secure a long-term political settlement which would facilitate the return to Abkhazia of up to a quarter of a million refugees who fled the fighting a year ago.

lapan's prime minister, Tomiichi Murayama, returns from Singapore at the end of an eight-day, four-nation tour of south-east Asia which stressed the region's importance for Japan as an investment location.

Egyptian foreign minister Amr Moussa visits Israel for talks aimed at re-activating the peace process.

Motor racing appeal: An appeal by Michael Schumacher, Benetton's championship driver, against a two-race ban and six-points deduction will be heard in Paris today. The penalties were imposed by the sport's governing body, the FIA, after the 25-year-old German racer ignored a black flag in the British Grand Prix.



Cleared for college: All applicants to UK universities who were given con-ditional offers before A-level results were published should know whether they have won a place at the universities they applied to by today - barring postal delays. A brand new clearing system, the Universities and Colleges Admissions Service, is in operation and it received universities' final decisions at the end of last week.

UK commuters face further rail disruption from noon today when RMT union signal-workers start their third

Holidays: Turkey (Victory Day).

31

WEDNESDAY

Russian troops leave Berlin

The remaining troops from the former Soviet Union prepare to leave Berlin. Russian president Boris Yeltsin will accompany President Roman Herzog and Chancellor Helmut Kohl of Germany during festivities to mark the departure.

Baltic and Nordic foreign ministers meet in the Lithuanian town of Palanga, to coincide with the withdrawal of Soviet armed troops from Estonia, Latvia and Lathuania. This is the second informal meeting between the two groups.

Dail recalled:



The Irish parliament (Dail) is to be recalled from summer recess for a three-day debate on the recently-published results of the inquiry into the Irish beef industry. Prime minister Albert Reynolds (left)

is expected to come under opposition attack for decisions he made as industry minister in the 1980s.

an Hunter's sole prospective buyer has until today to start paying the wages of the UK shipyard's 100-strong design and technical team. If French-owned Soffia/Constructions Mecaniques de Normandie does not start paving, the team will be made redundant, ending Swan's ability to tender for more work and prospects of a going-concern sale.

The Bosnian Serb assembly is due to meet again in Pale following last weekend's referendum on the latest international peace plan.

The British Medical Association holds its national conference in Lon-don. The meeting will discuss local per-formance related pay for doctors in the National Health Service. Population: The British Society for

Population Studies holds its annual conference in Durham. It will discuss issues such as single mothers, the national survey of sexual attitudes and lifestyles, and global population growth. The International Conference on Population and Development takes place in Cairo next week.

Multinationals control one-third of world output and account for nearly 10 per cent of all non-farm jobs worldwide. according to the annual World Investment Report released today.

Chess: The £100,000 Intel Grand Prix starts in London (to Sept 3). Rivals for Garry Kasparov and Nigel Short in a 16-player speed chess knock-out include Vishy Anand and Vladimir Kramnik.

Holidays: Malaysia (National Day). Trinidad and Tobago (Independence Day).

ECONOMIC DIARY



Cuba and the US are to hold talks on migration this week in New York, but will not discuss the trade embargo or the US presence at Guentanamo Bay

THURSDAY

Body Shop under fire

Business Ethics, a US magazine, is expected to criticise the Body Shop's commitment to environmental causes and its "trade not aid" policy in an article published today. Last Saturday, the cosmetics group published a 32page rebuttal of allegations thought to be included in the article.

Bundesbank: Today's council meeting is widely seen as the last-butone chance for a further cut in the discount rate before the German election on October 16.

Panama's president-elect, Ernesto Perez Balladares, 47, of the Democratic Revolutionary party, takes office in Panama City after a three-month transition period of government.

Israel starts handing over powers to the Palestinians in the occupied West Bank. Areas of responsibility to be transferred this week include education, tourism, taxation, social affairs and health.

Hungary and the UK hold joint military exercises in Hungary within the framework of the US-sponsored Partnership for Peace programme (to

Libya commemorates the 25th anniversary of Colonel Gaddafi's seizure of power.

Holldays: Central African Republic (National holiday), Libya (National



FRIDAY

Chinese leader in Moscow

Jiang Zemin, China's president, arrives in Moscow for a five-day visit. It is the first visit by a Chinese head of state since the 1950s and follows President Yeltsin's earlier visit to Beijing.

The Chinese leader will sign an agreement with Russia to retarget strategic nuclear missiles aimed at each others' countries and discuss how to formalise the western section of their mutual border.

Troop movements: US and Russian troops conduct joint peacekeeping exercises in Totskoye, Russia, that may ead to real operations in the future. About 250 soldiers from each country will take part (to Sept 10).

Belgium remembers: The Duke of York arrives in Belgium to launch celebrations of the 50th anniversary of the country's liberation in the second world war.

Ron Brown, US Commerce Secretary, visits Hong Kong, where he is expected to deliver an address at the American Chamber of Commerce. He is accompanied by a delegation of 24 CEOs and senior officials from the National Security and Economic councils, the State Department, the US Export-Import Bank and the US Trade Representative's office.

The Deauville festival of American film starts. Traditionalists in the French cinema industry have criticised it for encouraging "foreign" films.

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WEEKEND

Kansai airport opens

Intolerant Government

Kansai International Airport, Japan's first 24-hour airport and the country's second main airport, opens in Osaka on Sunday. Built on a man-made island, passengers will be able to transfer directly to flights to 22 cities throughout Japan.

KIA, which is only in its first stage, has already cost Yi.5tr (\$15bn).

Japanese prime minister Tomiichi Murayama's Social Democratic party holds a convention in Tokyo on Saturday. Delegates will be asked to ratify sweeping policy changes adopted by the leadership when it entered a cualition with two, more conservative parties in

The Edinburgh Festival finishes on Sunday, after four weeks of cultural offerings, with Elgar's Dream of Geron-tius performed by the Royal Scottish National Orchestra and conducted by Sir Charles Mackerras.

Chess: The Interpolis knock-out chess tournament starts in Tilburg, Holland, on Saturday (to Sept 25).

Cricket: Worcestershire play Warwickshire in the final of the Nat-West trophy on Saturday.

Athletics: Grand Prix final in Paris on Saturday.

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managers' index for the UK in August will be published by the Chartered Institute of Purchasing and Supply. While the overall level of the index is likely to indicate continuing economic strength, analysts will be most closely watching the prices component for further signs of inflationary pres-

Other economic news

Thursday: The Nationwide and Halifax house price indices have often diverged in recent months, but neither shows much indication of a housing boom. Today's Nationwide index for August is likely to show still subdued price increases, after July's 2.1 per cent annual rise. Friday: In the US, the non-

sures.

farm payroll numbers are likely to be the key economic statistic of the week. After strong consumer confidence and low initial claims figures. Morgan Grenfell is expecting a 250,000 rise in employment in August, compared with 259,000 in July. In the UK, official reserves in

August are expected to have declined by around \$25m, but this statistic has lost much of its significance following Britain's departure from the exchange rate mechanism.

Statistics to be released this week

Released	Country	Statistic	Forecast	Actual
Mon	US	July personal income	0.5%	0.1%
Aug 29	US	July personal consumer expand	0.3%	0.4%
	Japan	July retail sales**	-0.3%	-1.9%
	Japan	Aug w'sale price indx, 2, 1,10 days	· - .	0.1%
	Germany	July import prices*	0.2%	0.3%
	Germany	July import prices* .	0.4%	0,9%
	Aus Via	July current account .	-A\$1.5bm	-A\$1.44bn
Tues	US	July new Home sales	620,000	591,000
Aug 30	US	Aug consumer confidence	92.0	91.6
	US	Johnson Redbook, w/e Aug 27		-1.5%
	Japen	July unemployment rate ·	2.9%	2.9%
 	Japan	July job offers/seekers ratio	0.63	0,63
Wed	US	July leading indicators	-0.1%	0.2%
Aug 31	US	July factory orders	-2%	0.8% ".
	US	July Rictory Inventories		.6.1%
	US	Aug agricultural prices	- '	29%
	Japan	July construction orders**	-	-2.9%
	Japan	July housing starts**	7.6%	10.8%
	Japan	July construction starts**	-	1.7%
	Japan	July industrial productions	-2%	2.7%
	Jepen	July shipments	-	4.8%
	France	July unemployment rate	12.6%	-12.6%
	France	July job seekers*†		-0.4%
	Canada	Jun real gross dom prod, factor cost	0.4%	0.3%
	Aus'lia	2nd qtr grass domestic prod (A)†	0.6%	1,9%

Thur	US	Aug Nat Ass Purch Managers indx	57.5%	57.8%
Sept 1	US	July construction spending	0.4%	0.2%
	US	M2, w/e Aug 22	\$4bn	\$8.1bn
	US	Initial claims, w/e Aug 27	325,000	322,00
	US	State benefits, w/e Aug 20	-	2.66m
	qebeu	Aug auto sales"	-	2.4%
	Japan	Aug forex reserves	-	2%
Fri	US	Aug non-farm payrolis	233,000	295,000
Sept 2 US	U\$	Aug manufacturing payrolis	12,000	6,000
: "	US	Aug hourly earnings	0.2%	0.4%
	US	Aug average workweek	-	34.6
	US	Aug unemployment rate, civilian	8.1%	6.1%
	Japan	July current a/c ~ iMF	\$11.9bn	\$11.1bn
	Jepen	July trade balance - IMF		\$13.1bn
	Japen	July foreign bond investment	-	\$8.2bn
· · ·	Japan	July Bank of Japan corporate"	-	0.4%
	UK .	Aug official reserves	-\$25m	-\$40m
Dening 8	e week			
	Germany.	July consumer climate	-	89
	Germany	July Industrial production*	0.5%	1%
	Germany	July manufacturing output	0.4%	1.1%
,	Belgium	Aug unemployment rate	14.5%	14.2%
	Denmark	July unemployment rate†	12.1%	12.3%

1 Watch the cutter go up and

- down (6) 4 Stage for a breakneck ending
- get roof in safe keeping (9)
 11 Principle of having a vote on
 the island (5) 12 Study a revolutionary setting 13 Start of the weekend is inter-
- ship (10) 15 To round off in pompous fash- 14 Somehow
- scrap (6)
 21 Looks round Mandela's party

 your leading instrument (8)
 20 He's always swearing to bring
- ance (7)
- ing hands (4) 27 Part of the column showed 24 Fisher who worked the Rhone
- to earth person (9) 29 Prune and cut away to make
- a hole (8) 30 A cheer for Henry! (6)
- A better abbot (8) Try to evade run another spell (9) Came out top (4) Up-to-date power supply (7 Complete refutation request for an apartment (4,6) Love to exist on fruit (5) One who believes holding the mark will make the outlook clearer (6) minable without companion- 9 Fixed one's gaze on top journalist (6) Somehow gaunter after prison, but still a destructive
- 16 One after the other encoun-force (10)

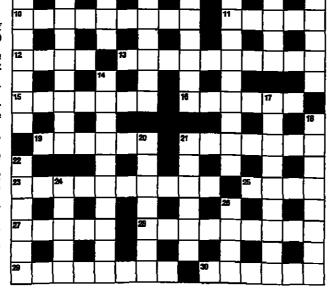
 tered is holding hereditary

 17 Former supervisor, we're told. code back (6) at national treasury (9)

 19 Terror at having run into a 18 Additional message – change - but there's back report
- nothing in it (7)

 a skirmish with 21 Throwing light on why sociher rival (5,5) ety will lag behind (6)
 25 Lead off as a prelude to hold 22 To back Tom gives an even chance (4-2)
- way to bring back music (5)

 28 Essential equipment for down 26 Call back some speech on



MONDAY PRIZE CROSSWORD No.8,544 Set by ADAMANT

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of 235 Pelikan vouchers will be awarded. Solutions by Thursday September 8, marked Monday Crossword 8,544 on the envelope, to the Financial Times, 1 Southwark Bridge, London SEI 9HL. Solution on Monday September 12.

Winners 8,532 Mrs J. Whelan, Godalming,

Surrey J.R. Adamson, Rayleigh, Essex R.R. Bell, West Hallam, Derby-Alison Emmott, Les Mouriaux, Alderaey, Channel Islands M.E. Gill, Cobham, Surrey R.W. Masters, Notts

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